**CHAPTER THREE**

**CHANGE MANAGEMENT**

**3.1 MEANING AND IMPLICATION**

What is change? What is organizational change? **Change** means making things different. When an organization makes things in it different, an organization change is occurred. Thus, **Organizational change** is the movement of an organization away from its present state and toward some desired future state to increase its efficiency and effectiveness. Organizational change is the alteration of an organization’s structure, culture, technology, or people.

Organizational success depends on the organization’s adaptations to environmental changes. Some organizations cannot change or adopt in response to a changing environment while others can change in any way that make them more effective.

**3.2 FORCES FOR ORGANIZATIONAL CHANGE**

Many internal and external changes attack the modern organizations and make change inevitable. Today organizations are operating in the ever changing environment.

Organizations and their managers need to be able to control their activities and make their operations routine and predictable. At the same time, however, organizations have to be responsive to the need to change. A modern manager is change conscious and operates in the constantly changing environment.

In general there are two main forces drive organizations toward change: internal and external forces.

**3.2.1 External Forces for Organizational Change**

**A. Customer demand**: customers are more sophisticated and demanding; knowledgeable about their own needs; customers often change over time. Customers are exerting ever greater pressure on their supplier. They will no longer accept poor service or low quality.

To be competitive, organizations have to respond more rapidly to customer’s needs.

Since the early 1980s, in the United States and other developed countries, the dominant force in the seller-customer relationship has shifted. Sellers no longer have the upper hand; customers do. Customers now tell suppliers what they want, when they want it, how they want it, and what they will pay. This new situation is unsetting to companies that have known life only in the mass market.

**B**. **Intense Competition**: competition is intensifying, and becoming more global. More organizations are compelled to attain the standards of quality and cost achieved by the pacemakers in the industry. The company that could get to market with an acceptable product or service at the best price would get a sale.

Large companies faced competition from both large and small companies. Small companies are competing large companies by serving niche market better than larger firms. Today companies are also working not only to satisfy customers but also to delight them.

**C. Technology**: Technology changes have increased the rate of speed at which change takes place. Technology is a commonly used method of increasing productivity to gain competitive leverage. The rate of technological change is greater today than any time in the past and technological changes are responsible for changing the nature of jobs performed at all levels in the organization.

**D. Reduction of Government Regulations**: governments are reducing interference in the market place and regulating business activities. Government barriers have fallen dramatically in the last years to further facilitate the globalization of markets and the activities of companies within them. Deregulation, reduction of trade barriers, privatization, free market economy, economic integration, and other related issues are the result of reduction of government regulations; and all these factors leads organizations toward change.

**E. Social Change:** related to diversity of work force within the organization, cultural changes, education level, etc.

**3.2.2 Internal Forces**

**a) Changes in the managerial personnel**: these changes include the retirement of the old managers, transfer and promotion of mangers and placement of old and static managers by a more versatile, dynamic and young lots. Changes also include increasing training of the existing personnel so as to make them fit to function in their perspective places effectively. With change each manager generally brings his/her own ideas and the way of working in the organization. So, a change in the managerial personnel is, thus, a constant pressure for change.

**b) Certain deficiencies in the existing system**: such as;

* Unmanageable span of control;
* Lack of coordination between the departments;
* Obstacles in communication;
* Lack of uniformity in the policies (as you know policies are guidelines for decision making);
* Non cooperation between line and staff member, etc.

**c) Certain other forces**: like changes in machinery, equipment, methods, and procedures, working standard, changes in authority and responsibility.

**3.2.3 The Domino Effect**

Another main source of changes is the change itself. Change has become pervasive and persistent. The pace of change is extremely fast, that is, what was unthinkable yesterday is routine today. It may emanate from internal or external sources.

Most of the managers fail to consider the potential domino effects. Such an oversight might lead to the problems of coordination and control. Before any significant change is made, the possible consequences of that change must be evaluated and examined to see whether undesirable chain reactions occur.

**3.3 PROCESS OF ORGANIZATIONAL CHANGE**

To improve efficiency and effectiveness it is vital that mangers develop the skills necessary to mange change effectively. Most people go from side to side four distinct stages in the change process.

**1st Assessing the Need for Change**

Change can affect organizational structure, culture, strategies, controlling system, and way of managing. So, organizations should assess the need for change properly.

Assessing the need for change calls for two important activities:

* Recognize that there are problems that require change. The real problem/s, not the symptom.
* Identify the sources of the problem/s.

**2nd Decide On the Change to Make**

* Decide what the organization’s ideal future would be. Decide where they would like their organization to be in the future: decide what kinds of goods and services it should making, what its business-level strategy should be, how structure should be change and develop strategy.

What can change agents change? Change agents can change the options essentially fall into four categories: structure, technology, physical setting, and people.

* Plan how to attain organization’s ideal future state.
* Identifying sources of resistance for change and how to overcome them.

**3rd Implementing the Change**

Under this stem the manager introduce and mange the change. The manger should decide whether change will occur from the top down or from the bottom up.

* **Top down change**: when the change is required to implement quickly top-down approach is appropriate. It is revolutionary in nature. The top manger will identify the need for change, decide what to do, and then move quickly to implement the changes throughout the organization. Usually mangers use this approach for restructuring and downsizing the organization.
* **Bottom up change**: it is more gradual and evolutionary. Top mangers consult with middle and first-line managers about the need for change. Then, over time, managers at all levels work to develop a detailed plan for change. Such approach is important to overcome resistance.

**4th Evaluating the Change**

Evaluate how successful the change effort has been in improving organizational performance. Managers can evaluate change effect using measures such as improvements in market share and profits, in the ability of managers to meet their goal. We can also use benchmarking-the process of comparing one company’s performance on specific dimensions with the high performing organizations.

**3.4 RESISTANCE TO CHANGE**

Resistance to change in organizations means employee behavior that block the change process. Change, no matter how beneficial, is generally resisted and is always difficult to implement. Basically people resist change for several reasons, and your task as a manager is to try to identify those reasons and manage them appropriately, to reduce or eliminate the negative effects and to correct misperceptions.

In every change effort there is resistance to change. In spite of the change good ideas, many people will see them in a different light. They believe that the change is not in their own best interest or the company’s. They then act on the belief, doing whatever they can to stop the change from happening. At the last, they try to make the change as minimal as possible.

Before making changes, mangers should anticipate how employees will react to or resist change. Resistance to change involves the variables of **intensity, source,** and **focus**, and **explains why** people resist change. Ken Hultman identifies these three variables as the major variables of resistance to change.

1. **Intensity**: resistance to change doesn’t necessary surface in standard ways. Resistance intensity can be varying from strong to week or somewhere in between. Resistance can be overt, implicit, immediate, or deferred.

It is easier for management to deal with resistance when it is overt and immediate. For instance, a change is proposed and employees quickly respond by voicing complaints, engaging a work slowdown, threatening to go on strike, or the like. The greater challenge is managing resistance that is implicit or deferred. Implicit resistance efforts are more subtle- loss of loyalty to the organization, loss of motivation to work, increased errors or mistakes, increased absenteeism due to “sickness” –and hence more difficult to recognize.

Managers should anticipate the intensity of resistance to change and effectively paln to overcome it.

1. **Sources**: there are three major sources of resistance: facts, beliefs, and values.
* **Facts**: the facts (statements that identify reality) of change are often circulated through the grapevine inaccurately. People tend to use facts selectively (i.e. the problem of selective perception) to prove their point. Facts used correctly help overcome fear of the unknown.
* **Beliefs**: facts can be proved; beliefs cannot. They are subjective. Our beliefs are our opinions that lead us to think and feel that a change is correct or incorrect, good or bad.
* **Values**: values are what people believe are worth pursuing or doing. Values are accepted principles. What we value are important us. Values are priorities. Our values meet our needs and affect our behavior.

People analyze the facts presented from all sources and determine if they believe the change is of value to them. When the facts are clear and logical and people believe the change is of value to them, they tend to have lower resistance to the change.

1. **Focus**: there are three major focuses of resistance: self, others, and the work environment.
* **Self**: it is natural for people to want to know, “what’s in it for me? What will I gain or loss?” when the fact of change have a negative effect on an employee’s economic well-being, such as lower pay or longer hours without additional compensation, employees tend to resist the change.
* **Other**: after considering what is in it for them, or when they are not affected by the change, people tend to consider how the change will affect their friends, peers (peer pressure), and colleagues. If employees analyze the facts and believe the change will affect others negatively, they may be resisting the change.
* **Work environment**: the work environment includes the job itself and the physical setting and the climate. People like to be in control of their environment, and they resist changes that take away their control. Employees’ analysis of the facts about the current versus the changed work environment will affect their resistance to the change.

Generally people resist change for a variety of **reasons**, some of which include:

* **Maintain the status quo**: people like things the way they are now, view the change as an inconvenience, or don’t agree that a change is needed,
* **Uncertainty**: people tend to fear the unknown and wonder how the change will affect them,
* **Learning anxiety**: the prospect of learning something new itself produces anxiety, and
* **Fear**: people often fear they may lose their jobs, the friends they work with may change, that they will not be successful with learning new ways, or that they may lose control over how they do their jobs.

**3.5 MANAGING RESISTANCE TO CHANGE**

The major methods managers can use to overcome resistance to change are the following:

* **Education/Communication**: if the employees do not have adequate information or if the information they have is inaccurate, then it is necessary to educate them about the change, its process, its working and its results. Communication is the highest priority and first strategy required for any organizational change. It reduces the restraining forces by keeping employees informed about what to expect from the change effort.

Communication improves the change process in at least two ways. First, it is the conduit through which employees typically learn about the driving forces for change. Second, communication clarifies an otherwise uncertain future. The more corporate leaders communicate their images of the future, the more easily employees can visualize their own role in that future.

* **Develop a positive climate for change**: develop and maintain good human relations. Because change and trust are so closely intertwined, the manger’s first concern should be to develop mutual trust.
* **Encourage interest in improvement**: continually give employees opportunities to develop new skills, abilities, and creativity. Constantly look for better ways to do things. Encouraging employees to suggest changes and listening to and implementing their ideas are important part of continuous improvement.
* **Give facts**: get all facts and plan how you will presents them to employees. Clearly state why change is needed and how it will affect employees positively and negatively.
* **Involve employees**: employees who participate in developing changes are more committed to them than employees who have changes assigned to them.
* **Provide support**: allow employees to express their feelings in a positive way. Since training is very important to successful changes, give as much advance notice and training as possible before the change takes place. Giving thorough training helps reduce learning anxiety and helps employees realize they can be successful with the change.
* **Avoid direct confrontation**: confrontation tends to make people emotional and more resistant to change. A subtle approach is preferable to most people.
* **Negotiation and agreement**: buying out active and potential resisters. Negotiation is a form of exchange, in which the promise of benefits or resources is exchanged for the target person’s compliance with influencer’s request.
* **Use power**: if other strategies are ineffective, leaders rely on forcing people to accept the change.

**3.6 PLANNED ORGANIZATIONAL CHANGE**

Planned organizational change is the intentional attempt by an organization to alter its status quo (present position) and move to the desired one. Planned change is an essential element to growth. Planned changes are made by the organization with the purpose of achieving something that might otherwise be unattainable, or accomplishable with great difficulty. Through planned changes organizations reach new frontiers and progress move rapidly toward given set of goals and objectives. Through planned change, organizations can decide in advance why change is necessary, for what purpose, what to change and how to achieve the desired change.

**3.6.1 Approaches to Manage Planned Organizational Change**

There are several popular approaches to managing change. This section introduces five of the leading approaches to organizational change: Lewin’s three step model, action research, appreciate inquiry, parallel learning structures, and lessiers change model.

1. **Lewin’s Three Step Change Model**

In the early 1950s, Kurt Lewin developed technique, still used today, for changing people’s behavior, skilled and attitudes. Lewin argued that successful change in an organization should follow three steps: unfreezing the status quo, moving to the desired condition, and then refreezing the new change to make it remains in the desired state.

1. **Unfreezing**: the focus of this stage is to create the motivation to change. It refers to making individuals aware individuals (employees) the present behavior is inappropriate, irrelevant and inadequate. Unfreezing introducing information that shows discrepancies between desired performance and actual performance. Unfreezing is the first part of the change process whereby the change agent produces disequilibrium between the driving and restraining forces. This may occur by increasing the driving forces, reducing restraining forces, or having a combination of both.

Driving forces push organizations toward a new state of affairs. One side of the Lewin’s model represents the driving forces as shown on graph below. Section 3.2 of this handout described some of the driving forces in the external and internal environment. Restraining forces maintain the status quo. These restraining forces are commonly called “resistance to change” because they appear as employee behavior that block the change process.

1. **Changing**: it is the second phase where new learning occurs. Because changes involve learning, this stage entails providing employees with new information, new behavior model, or new way of looking at things. This stage shifts the employees’ behavior to a new level. Employees learn the new desirable behavior, values, and attitudes.

Structural, task, technological, and people change may take place to reach desirable performance level.

1. **Refreezing**: it occurs when the organization’s systems and structure are aligned with the desired behavior. Refreezing enables to remain in the desirable state. The desirable performance becomes the permanent way of doing things. This is the new status quo. Refreezing often takes place through **reinforcement** and **support** for the new behavior or role. During this phase individuals internalize the new beliefs, feelings and behavior learned in the changing phase. That is to say, refreezing focuses on reinforcing the new behaviors usually be positive result, feeling of accomplishment and/or rewards from others. Supports involve training the new methods and behaviors until they are learned and then making sure that new work procedure become permanent.

**Desired**

**Condition**

**Restraining forces**

**Driving forces**

**Driving forces**

**Restraining forces**

**Driving forces**

**Restraining forces**

**Current**

**Condition**

 Before change After change

 Figure 3.3 : Lewin three step change model

1. **Action Research Approach**

Action research refers to a change process based on systematic collection of data and then selection of a change action based on what the analyzed data indicates. Action research takes the view that meaningful change is a combination of action oriented (changing attitude and behavior) and research oriented (testing theory). Action research approach involves the following processes.

**Diagnose need for change**

Gather data, analyze data, and decide intervention objectives

**Introduce intervention**

Implement desired incremental and quantum change

**Evaluate and establish change**

Determine effectiveness of change and refreeze new conditions

**Establish consultant and client relationship**

**Disengage consultant’s service**

Figure 3.4: the action research process

* **Establish Client-Consultant Relationship**: action research usually assumes that change agent originates outside the system (such as a consultant), so the process begins by forming the client-consultant relationship. Consultants need to determine the client’s readiness for change, including whether people are motivated to participate in the process, are open to meaningful change, and possess the ability to complete the process. Many change management consultants prefer to adopt the role of process consultant rather than that of technical expert. Process consultation is a method of helping them within the system solve their own problems by making them aware of organizational process, the consequences of those processes, and the means by which they can be changed.
* **Diagnose The Need For Change**: action research is a problem-oriented activity that carefully diagnoses the problem through systematic analysis of the situation. The consultant will gather and analyze the information about the current system problem though interview, survey of employees, review records, and soon. The consultant then decides the intervention objectives and actions.
* **Introduce intervention**: this stage in the action research model applies one or more actions to correct the problem.
* **Evaluate and stabilize change**: this stage need to evaluate the effectiveness of intervention action against the standard established in the stage. If intervention actions have desired effect, then the change agent and participants need to stabilize the new conditions. This refers to the refreezing process.
1. **Lussier’s Change Model**

This model consists of five steps:

**Step1: Define Change**: clearly state what the change is. Decide what to change-is it a task, structure, technological, or people change? Set the change objectives.

**Step 2: Identify Possible Resistance to the Change**: determine the intensity, source, and focus of possible resistance to the change.

**Step 3: Plan The Change**: plan the change implementation. Use the appropriate supervisory style for the situation.

**Step 4: Implement Change: This Step Has Three Parts:**

* **Give facts**: give the facts about the change and explain why it is necessary as far in advance of the change as possible. Explain how the change will affect the employees. Relate the change to their values.
* **Involve employees**: use as much employee involvement as you can. But use the appropriate supervisory style for the situation.
* **Provide support**: allow employees to express their thoughts and feelings in a positive way. Answer their questions openly and honestly. Make sure that they receive proper training in how to implement the changed method.

**Step 5: Control The Change**: follow up to ensure that the change is implemented, reinforced, and maintained. Make sure the objective is met. If not, take corrective action. For major changes, be sure to change performance appraisals to reflect new jobs accurately.

1. **Appreciate Inquiry Approach**

Appreciate inquiry tries to break out of the problem-solving mentally by framing relationships around the positive and the possible. It is an organizational change process that directs attention away from the group’s own problem and focuses participants on the group’s potential and positive elements.

**Discovery**

Identifying the best of “what is”

**Dreaming**

Envisioning “what might be”

**Designing**

Engaging in dialogue about “what should be”

**Delivering**

Dev eloping objectives about “what will be”

Figure 3.5: the appreciative inquiry process

* **Discovery**: identifying the positive elements of the observed events or organization. This might involve documenting positive customer experiences elsewhere in the organization. Or it might include interviewing members of another organization to discover its fundamental strengths. As participants discuss their findings, they shift into the dreaming stage.
* **Dreaming**: participants envision what might be possible in an ideal organization. By directing their attention to a theoretically ideal organization or situation, participants feel safer revealing their hopes and aspirations than if they were discussing their own organization or predicament.
* **Designing**: as participations make their private thoughts public to the group, the process shifts into the third stage, called designing. Designing involves the process of dialogue , in which participants listen with selfless receptivity to each other’s model and assumptions and eventually form a collective model for thinking within the team. In effect, they create a common image of what should be. As this model takes shape, group members shift the focus back to their own situation.
* **Delivering**: participants establish specific objectives and direction for their own organization based on their model of what will be.
1. **Parallel learning structure approach**

Parallel learning structures are highly participative arrangements, composed of people from most levels of the organization who follow the action research model to produce meaningful organizational change. They are social structures developed alongside the formal hierarchy with the purpose of increasing the organization’s learning. Ideally, parallel learning structure participants are sufficiently free from the constraints of the larger organization so that they can more effectively solve organizational issues.

**3.7 STRATEGIES FOR PLANNED ORGANIZATIONAL CHANGE**

The general strategies in managing of organizational change are:

1. **Create a favorable environment**: an environment of trust and shared commitment should be created by involving staff in decisions and actions, which affect them. Team management, a cooperative spirit among staff and workers, and a genuine feeling of shared involvement will create a greater willingness to accept change. a participative style of management and management y objectives (MBO) are useful approaches.
2. **Define a set of goals**: they provide a framework to measure the progress. It defines what the organization wants to accomplish and provide employees with a sense of direction.
3. **Establish what cannot be changed**: identify the bedrocks that the employees can always depend on as they work their way through the change process. The “things that do not change” can be viewed as parameters for the action area, giving individuals the freedom to act within those limits.
4. **Create a change plan**
5. **Move decisively and with speed:**
6. **Communicate with employees**
7. **Employee motivation**
8. **Create favorable organization and methods**