

Instructor's Manual to Accompany **Organizational Behavior 7/e** by Steven L. McShane and Mary Ann Von Glinow



Chapter 15: Organizational Change

Prepared by:
Steven L. McShane, The University of Western Australia



15 Organizational Change

LEARNING OBJECTIVES

After reading this chapter, students should be able to:

1. Describe the elements of Lewin's force field analysis model.
2. Discuss the reasons why people resist organizational change and how change agents should view this resistance.
3. Outline six strategies for minimizing resistance to change and debate ways to effectively create an urgency to change.
4. Discuss how leadership, coalitions, social networks, and pilot projects influence organizational change.
5. Describe and compare action research, appreciative inquiry, large group interventions, and parallel learning structures as formal approaches to organizational change.
6. Discuss two cross-cultural and three ethical issues in organizational change.



CHAPTER GLOSSARY

action research -- a problem-focused change process that combines action orientation (changing attitudes and behavior) and research orientation (testing theory through data collection and analysis).

appreciative inquiry -- an organizational change strategy that directs the group's attention away from its own problems and focuses participants on the group's potential and positive elements.

force field analysis -- Kurt Lewin's model of system-wide change that helps change agents diagnose the forces that drive and restrain proposed organizational change

large group interventions -- highly participative events that view organizations as open systems (i.e., involve as many employees and other stakeholders as possible) and adopt a future and positive focus of change.

parallel learning structure -- highly participative arrangements, composed of people from most levels of the organization who follow the action research model to produce meaningful organizational change.

refreezing -- the latter part of the change process in which systems and conditions are introduced that reinforce and maintain the desired behaviors.

unfreezing -- the first part of the change process whereby the change agent produces disequilibrium between the driving and restraining forces.

CHAPTER SUMMARY BY LEARNING OBJECTIVE

15-1 Describe the elements of Lewin's force field analysis model.

Lewin's force field analysis model states that all systems have driving and restraining forces. Change occurs through the process of unfreezing, changing, and refreezing. Unfreezing produces disequilibrium between the driving and restraining forces. Refreezing realigns the organization's systems and structures with the desired behaviors.

15-2 Discuss the reasons people resist organizational change and how change agents should view this resistance.

Restraining forces are manifested as employee resistance to change. The main reasons people resist change are the negative valence of change, fear of the unknown, not-invented-here syndrome, breaking routines, incongruent team dynamics, and incongruent organizational systems. Resistance to change should be viewed as a resource, not an inherent obstacle to change. Change agents need to view resistance as task conflict rather than relationship conflict. Resistance is a signal that the change agent has not sufficiently strengthened employee readiness for change. It is also a form of voice, so discussion potentially improves procedural justice.

15-3 Outline six strategies for minimizing resistance to change and debate ways to effectively create an urgency to change.

Organizational change requires employees to have an urgency for change. This typically occurs by informing them about driving forces in the external environment. Urgency to change also develops by putting employees in direct contact with customers. Leaders often need to create an urgency to change before the external pressures are felt, and this can occur through a vision of a more appealing future.

Resistance to change may be minimized by keeping employees informed about what to expect from the change effort (communicating); teaching employees valuable skills for the desired future (learning); involving them in the change process; helping employees cope with the stress of change; negotiating trade-offs with those who will clearly lose from the change effort; and using coercion (sparingly and as a last resort).

15-4 Discuss how leadership, coalitions, social networks, and pilot projects assist organizational change.

Every successful change also requires transformational leaders with a clear, well-articulated vision of the desired future state. They also need the assistance of several people (a guiding coalition) who are located throughout the organization. Change also occurs more informally through social networks. Viral change operates through social networks using influencers.

Many organizational change initiatives begin with a pilot project. The success of the pilot project is then diffused to other parts of the organization. This occurs by applying the MARS model, including motivating employees to adopt the pilot project's methods, training people to know how to adopt these practices, helping clarify how the pilot can be applied to different areas, and providing time and resources to support this diffusion.

15-5 Describe and compare action research, appreciative inquiry, large group interventions, and parallel learning structures as formal approaches to organizational change.

Action research is a highly participative, open-systems approach to change management that combines an action orientation (changing attitudes and behavior) with research orientation (testing theory). It is a data-based, problem-oriented process that diagnoses the need for change, introduces the intervention, and then evaluates and stabilizes the desired changes.

Appreciative inquiry embraces the positive organizational behavior philosophy by focusing participants on the positive and possible. Along with this positive principle, this approach to change applies the constructionist, simultaneity, poetic, and anticipatory principles. The four stages of appreciative inquiry include discovery, dreaming, designing, and delivering.

Large group interventions are highly participative events that view organizations as open systems (i.e., involve as many employees and other stakeholders as possible) and adopt a future and positive focus of change. Parallel learning structures rely on social structures developed alongside the formal hierarchy with the purpose of increasing the organization's learning. They are highly participative arrangements, composed of people from most levels of the organization who follow the action research model to produce meaningful organizational change.

15-6 Discuss two cross-cultural and three ethical issues in organizational change.

One significant concern is that organizational change theories developed with a Western cultural orientation potentially conflict with cultural values in some other countries. Also, organizational change practices can raise one or more ethical concerns, including increasing management's power over employees, threatening individual privacy rights, and undermining individual self-esteem.

LECTURE OUTLINE (WITH POWERPOINT® SLIDES)



Organizational Change

Organizational Change
Slide 1



Organizational Change at LG Group

LG Group chairman Koo Bon-moo (shown) is creating an urgency to change Korea's second largest conglomerate into a more proactive, marketplace leader rather than a follower of Samsung

Organizational Change
at LG Group
Slide 2



Force Field Analysis Model

Highly respected model of change developed by social psychologist, Kurt Lewin

Force Field Analysis
Model
Slide 3

Driving forces

- Push organizations toward change
- Includes external forces e.g. new competitors, technologies
- Leader's vision inspires employees to strive for higher standards

Restraining forces

- Resistance to change – block the change process
- Try to maintain the status quo

Force Field Analysis Model



Force Field Analysis Model
Slide 4

Force Field Analysis Model

Effective change occurs by unfreezing the current situation, moving to a desired condition, and then refreezing the system so it remains in the desired state

Unfreezing

- Producing disequilibrium between the driving and restraining forces

Stability

- When driving and restraining forces are roughly in equilibrium i.e. approximately equal strength in opposite directions

Refreezing

- Introducing systems and conditions that reinforce and maintain the desired behaviors
- Support and reinforce the new role patterns and prevent the organization from slipping back into the old ways

Restraining Forces (Resistance to Change)



Restraining Forces (Resistance to Change)
Slide 5

Restraining Forces (Resistance to change)

Many forms of resistance – complaints, overt work stoppages, passive noncompliance

Subtle resistance is much more common than overt resistance – more difficult to address because not as obvious

View resistance as a resource (vs. impediment to change)

1. Symptoms of deeper problems in the change process
2. A form of task-oriented conflict – may improve decision making in the change process
3. Form of voice – may improve procedural justice and serve as a motivational force



Why Employees Resist Change

1. Negative valence of change

- Negative cost-benefit analysis (expectancy theory/subjective expected utility)
 - ➔ more negative than positive outcomes
 - ➔ negative outcomes have a high probability of occurring
- Usually considers perceived organizational outcomes, not just personal outcomes

2. Fear of the unknown

- Uncertainty has two negative effects on change perceptions
 - ➔ people assume the worst (negative valence of outcomes)
 - ➔ people perceive lack of control, which is also undesirable

3. Not-invented-here-syndrome

- Staff oppose the change to prove their ideas were better
- Occurs among those who are normally responsible for these ideas -- successful change threatens their self-esteem



Why Employees Resist Change (con't)

4. Breaking routines

- Cost of moving away from our "comfort zones"
- Requires time/effort to learn new routines and role patterns

5. Incongruent team dynamics

- Existing team norms contrary to the desired change

6. Incongruent organizational systems

- Old systems/structures reinforce status quo -- pull people back into past attitudes and behavior
- Include rewards, information systems, patterns of authority, career paths, selection criteria

Unfreezing, Changing, and Refreezing

Increase driving forces (e.g. describe external forces, mgt issues threats)

- Strategy rarely works alone because employees respond with increase in restraining forces

Weaken/remove restraining forces

- Strategy rarely works alone -- facilitates but doesn't motivate change

Preferred option -- increase the driving forces and reduce/remove restraining forces

Creating an Urgency for Change

- Inform employees about driving forces
- Most difficult when organization is doing well
- Customer-driven change
 - Human element energizes employees
 - Reveals problems and consequences of inaction
- Sometimes need to create urgency to change without external drivers
 - Requires persuasive influence
 - Use positive vision rather than threats

Creating an Urgency for Change

Slide 8

Creating an Urgency for Change

Inform employees about driving forces -- competitors, changing consumer trends, changing government regulations – most difficult to change when organization is doing well

Customer-driven change

- Human element energizes employees to change behaviors
- Reveals problems and consequences of inaction -- dissatisfied customers describe why company's products are inferior

Create urgency for change without external drivers

- Requires persuasive influence – employees visualize future competitive threats and environmental shifts
 - Use positive vision of future (makes current situation less appealing) rather than threats
-

Reducing the Restraining Forces

1. Communication
 - Highest priority and first strategy for change
 - Generates urgency to change
 - Reduces uncertainty (fear of unknown)
 - Problems: time consuming and costly
2. Learning
 - Provides new knowledge/skills
 - Includes coaching and other forms of learning
 - Helps break old routines and adopt new roles
 - Problems: potentially time consuming and costly

Reducing the Restraining Forces

Slide 9

Reducing the Restraining Forces

1. Communication

- Highest priority and first strategy for change
- Generates an urgency to change
- Reduces uncertainty (fear of unknown)
- Problems – time-consuming and potentially costly

2. Learning

- Provides new knowledge and skills to fit evolving needs
 - Includes coaching and other forms of learning
 - Helps break old routines and adopt new roles
 - Problems – time-consuming and potentially costly
-

Reducing the Restraining Forces

- 3. Involvement
 - Employees participate in change process
 - Helps saving face and reducing fear of unknown
 - Includes task forces, future search events
 - Problems: time-consuming, potential conflict
- 4. Stress management
 - When previous strategies do not minimize stress enough
 - Potential benefits
 - More motivation to change
 - Less fear of unknown
 - Fewer direct costs
 - Problems: time-consuming, costly, doesn't help all

Reducing the Restraining Forces (con't)

Slide 10

Reducing the Restraining Forces (con't)

3. Involvement

- Employees participate in change process – often essential
- Helps saving face/reducing fear of unknown – through ownership
- Includes task forces, future search events
- Problems – time-consuming, potential conflict

4. Stress Management

- When communication, learning, and involvement are not enough to minimize stress – to help employees cope with change
- Potential benefits – more motivation to support the change; less fear of unknown; fewer direct costs
- Problems – time-consuming, expensive, doesn't help everyone

Reducing the Restraining Forces

- 5. Negotiation
 - Influence by exchange – reduces direct costs
 - May be necessary when people clearly lose something and won't otherwise support change
 - Problems: expensive, gains compliance, not commitment
- 6. Coercion
 - When all else fails
 - Assertive influence
 - Radical form of "unlearning"
 - Problems
 - Reduces trust
 - May create more subtle resistance
 - Encourage politics to protect job

Reducing the Restraining Forces (con't)

Slide 11

Reducing the Restraining Forces (con't)

5. Negotiation

- Influence tactic for change by negotiating benefits or resources in exchange for compliance with request (e.g. supporting change)
- May be necessary when people clearly lose something and won't otherwise support change
- Problems – expensive; gains compliance, not commitment

6. Coercion

- Necessary when all other strategies fail
- Assertive influence tactics -- persistently reminders, frequent monitoring
- Radical form of organizational "unlearning" – dismissals
- Problems – reduces trust, may create subtle resistance, more politics to protect their own job security

Refreezing the Desired Conditions

We tend to revert to previous behaviors and practices, unless systems and structures hold (refreeze) the desired changes

Refreezing realigns organizational systems and team dynamics so they support the desired change

- Alter rewards to reinforce new behaviors
- Change career paths
- Revise information systems e.g. feedback mechanisms help employees learn how well they are moving toward the desired objectives – "what gets measured, gets done"

Alan Mulally: Change Agent



Alan Mulally's "One Ford" vision and his transformational leadership were key factors in the successful turnaround of Ford Motor Company.

Alan Mulally: Change Agent
Slide 12

Alan Mulally: Change Agent

Alan Mulally's "One Ford" vision and his transformational leadership were key factors in the successful turnaround of Ford Motor Company

Change Agents

- Change agent – possesses knowledge and power to guide and facilitate the change effort
- Involves transformational leadership
- Strategic visions and change
 - Provides a sense of direction
 - Identifies critical success factors to value change
 - Links employee values to the change
 - Minimizes employee fear of the unknown
 - Clarifies role perceptions

Change Agents
Slide 13

Change Agents

Change agent – anyone who possesses enough knowledge and power to guide and facilitate the change effort

Transformational leaders are the primary agents of change

Strategic visions and change

- Provides a sense of direction
- Identifies critical success factors to value change
- Links employee values to the change -- emotional foundation
- Minimizes employee fear of the unknown -- sense of direction
- Clarifies role perceptions – clarifies what behaviors to learn

Coalitions, Social Networks and Viral Change

- Guiding coalition
 - Representative across the firm
 - Influence leaders – respected
- Viral change
 - Information seeded to a few people, then transmitted through social networks
 - Social networks influence others due to:
 - high trust
 - referent power
 - behavior observation



Coalitions, Social Networks, and Viral Change
Slide 14

Coalitions, Social Networks and Viral Change

Change agents need a guiding coalition

- Representative across the firm
- Influence leaders – respected (referent power)

Viral change

- Information seeded to a few people is transmitted to others based on social networks
- Social networks influence others due to:
 - high trust
 - referent power
 - behavior observation

Diffusion of Change

- Begin change as pilot projects
- Effective diffusion applies the MARS model
 - Pilot project employees rewarded; motivate others to adapt pilot project
- Motivation
 - Train employees to adapt pilot project
- Role perceptions
 - Translate pilot project to new situations
- Situational factors
 - Provide resources to implement pilot project elsewhere

Diffusion of Change

Slide 15

Diffusion of Change

Successful change initiatives usually begin as pilot projects – pilot projects offer greater flexibility, less risk

Effective diffusion of pilot project considers MARS model

1. Motivation

- Employees see that pilot project is successful
- Reward people in the pilot project for changing their previous work practices

2. Ability

- Give employees the opportunity to interact with and learn from those in the pilot project
- Disperse employees in the original pilot to other work units as role models and knowledge sources

3. Clear role perceptions

- Help employees understand how the practices in a pilot project apply to them (even in completely different areas)

4. Supportive situational factors

- Provide resources and time necessary to adopt the practices demonstrated in the pilot project

Action Research Approach

- Action orientation and research orientation
 - Action – to achieve the goal of change
 - Research – testing application of concepts
- Action research principles
 - 1. Open systems perspective
 - 2. Highly participative process
 - 3. Data-driven, problem-oriented process

Action Research Approach

Slide 16

Action Research Approach

Meaningful change combines action orientation (changing attitudes/behavior) and research orientation (testing theory)

• Action orientation

- diagnose current problems
- apply interventions that resolve those problems

• Research orientation

- research study approach
- collect data to diagnose problems
- systematically evaluate how well the theory works in practice

Action Research Principles

1. Open systems perspective
 - Change agents need to anticipate intended and unintended consequences of interventions
 2. Highly participative process
 - Requires employee knowledge and commitment
 - Employees are co-researchers and participants
 3. Data-driven, problem-oriented process
 - Problem analysis through data collection/analysis
-

Action Research Process



Action Research
Process
Slide 17

Action Research Process

1. Form client-consultant relationship
 - Assumes change agent originates outside the system
 - Client readiness – client's motivation, open to meaningful change, possess abilities to complete change process
 2. Diagnose need for change
 - Organizational diagnosis – gathering and analyzing data about an ongoing system e.g. interviews and surveys
 - Includes employee involvement – agree on change methods, schedule, expected standards of successful change
 3. Introduce intervention
 - Applies one or more actions e.g. managing conflict, team building, changing corporate culture
 - Incremental change vs. quantum change – small steps or massive overhaul
 4. Evaluate and stabilize change
 - Evaluating effectiveness of the intervention against the standards established in the diagnostic stage
 - Problems – outcomes aren't apparent for a long time, or might be difficult to separate effects from other factors
 - Refreeze conditions to stabilize change
-

Appreciative Inquiry Approach



Appreciative Inquiry Approach
Slide 18

Appreciative Inquiry Approach

Frames change around positive and possible future, rather than traditional problem-focus

1. Positive principle – focus on positive events and potential
2. Constructionist principle – conversations don't describe reality, they shape reality
3. Simultaneity principle – inquiry and change are simultaneous, not sequential
4. Poetic principle – organizations are open books so we can choose how to perceive, frame, and describe them
5. Anticipatory principle – people are motivated by desirable visions of the future i.e. use inspiring and engaging images

Four-D Model of Appreciative Inquiry



Four-D Model of Appreciative Inquiry
Slide 19

Four-D Model of Appreciative Inquiry

1. Discovery
 - Discovering positive elements of the observed event/organization e.g. documenting positive customer experience
2. Dreaming
 - Envisioning what might be possible in an ideal organization
 - Participants feel safer revealing their hopes and aspirations then discussing their own organization or predicament
3. Designing
 - Dialogue in which participants listen with receptivity to each other's models and assumptions – create a common image of what should be
4. Delivering
 - Participants establish specific objectives and direction for their own organization based on their "should be" model

Evaluating Appreciative Inquiry

Several successful change stories from this approach, but not always successful

- Participants need to avoid problem-oriented mindset (blame game)
- Not yet clear what conditions are best for appreciative inquiry (i.e. contingencies not yet known)

Large Group Interventions

- Future search, open space, and other interventions that involve "the whole system"
- Large group sessions
- May last a few days
- High involvement with minimal structure
- Limitations of large group interventions
- Limited opportunity to contribute
- Risk that a few people will dominate
- Focus on common ground may hide differences
- Generates high expectations about ideal future

Large Group
Interventions
Slide 20

Large Group Interventions

Future search, open space, and other interventions that "put the entire system in the room" – involve as many employees and stakeholders as possible

- Large group sessions
- May last a few days
- High involvement with minimal structure – search for emerging trends or issues; may also develop solutions

Limitations of large group interventions

- Limited opportunity to contribute
- Risk that a few people will dominate
- Focus on common ground may hide differences
- Generates high expectations about ideal future

Parallel Learning Structure Approach

- Highly participative social structures
- Members representative across the formal hierarchy
- Sufficiently free from firm's constraints
- Develop change solutions – then applied back into the larger organization

Parallel Learning
Structure Approach
Slide 21

Parallel Learning Structure Approach

- Highly participative social structures
- Members from across the formal hierarchy who follow the action research model to produce meaningful change
- Sufficiently free from firm's constraints – social structures developed alongside the formal hierarchy
- Develop solutions for organizational change which are then applied back into the larger organization

Concerns with Managing Change

- Cross-Cultural Concerns
- Linear and open conflict assumptions different from values in some cultures
- Ethical Concerns
- Privacy rights of individuals
- Management power
- Individuals' self-esteem

Concerns with Managing
Change
Slide 22

Cross-Cultural & Ethical Concerns with Managing Change

Cross-Cultural Concerns

- Linear and open conflict assumptions
- Change viewed as a linear sequence in North America, often viewed as cyclical in some other cultures
- Task-oriented conflict built in to some change practices, but overt conflict isn't consistent with some cultures

Ethical Concerns

- Privacy rights of individuals – may not want to share personal information and emotions required by action research
- Management power – required (vs. voluntary) employee participation
- Individuals' self-esteem may be undermined – unfreezing requires employees to disconfirm beliefs, task competence

Organizations are About People

"Take away my people, but leave my factories, and soon grass will grow on the factory floors. Take away my factories, but leave my people, and soon we will have a new and better factory."



Organizations are About People
Slide 23

Organizations are About People

"Take away my people, but leave my factories, and soon grass will grow on the factory floors. Take away my factories, but leave my people, and soon we will have a new and better factory."

Andrew Carnegie (1835-1919)



Organizational Change
Slide 24

Organizational Change



Discussion of Team Exercise: Strategic Change Incidents
Slide 25

Discussion of Team Exercise: Strategic Change Incidents

Scenario #1: "Greener Telco"

Scenario #1 refers to Bell Canada's Zero Waste program, which successfully changed employee behavior by altering the causes of those behaviors.



Scenario #1: "Greener Telco"
Slide 26

Scenario #1: "Greener Telco"

Refers to Bell Canada's Zero Waste program, which successfully changed wasteful employee behaviors by altering the causes of those behaviors

Pilot project in Toronto – 12 floor building of 1000 staff reduced waste from 1800 lb. per day to just 75 lb. per day within 3 years

Bell Canada's Change Strategy

Based on the MARS model to alter behavior:

- Motivation – employee involvement, respected steering committee (photo)
- Ability – taught paper reduction, email, food disposal
- Role perceptions – made waste reduction salient (employee's job) through banners, training
- Situation – created barriers to wasteful behavior (e.g. Coffee mugs, removed garbage bins)



Bell Canada's Change Strategy
Slide 27

Bell Canada's Change Strategy

Relied on the MARS model to alter behavior:

- Motivation – employee involvement, respected steering committee
- Ability – taught paper reduction, email, food disposal
- Role perceptions – communicated importance of reducing waste
- Situation – created barriers to wasteful behavior, e.g. removed garbage bins

Scenario #2: "Go Forward Airline"

Scenario #2 refers to Continental Airline's "Go Forward" change strategy, which catapulted the company "from worst to first" within a couple of years.



Scenario #2: "Go Forward Airline"

Slide 28

Scenario #2: "Go Forward Airline"

Refers to Continental Airline's "Go Forward" change strategy, which catapulted the company "from worst to first" within a couple of years.

Continental Airlines' Change Strategy

- Communicate, communicate, communicate
- Introduced 15 performance measures
- Established stretch goals (repainting planes in 6 months)
- Replaced 50 of 61 executives
- Rewarded new goals (on-time arrival, stock price)
- Customers as drivers of change



Continental Airlines' Change Strategy

Slide 29

Continental Airlines' Change Strategy

- Communicate, communicate, communicate
- Introduced 15 performance measures
- Established stretch goals (repainting planes in 6 months)
- Replaced 50 of 61 executives
- Rewarded new goals (on-time arrival, stock price)
- Customers as drivers of change



SOLUTIONS TO CRITICAL THINKING QUESTIONS

- 1. Chances are that the school you are attending is currently undergoing some sort of change to adapt more closely with its environment. Discuss the external forces that are driving the change. What internal drivers for change also exist?**

There are many possible changes that your college is currently experiencing. Some of the more common changes might be: (a) shift from quarter to semester schedule; (b) introduction of online learning; (c) changing library hours; (d) new courses and disciplines; (e) reassignment of physical space due to new construction or closure of old buildings.

There are just as many possible external forces for change to consider, including: (a) increased competition for students; (b) emerging technologies; (c) cost pressures (restricted budgets); (d) changing student expectations (e.g. new course content, more flexible learning); (e) college ratings.

Internal forces for change mainly come from such things as leadership, physical structures (e.g. aging buildings), and student and faculty coalitions. It is important to distinguish the changes from the forces for change. For example, the introduction of online learning might have resulted from both new technologies and increased competition for students.

- 2. Use Lewin's force field analysis to describe the dynamics of organizational change at Ford Motor Company. The Global Connections 15.2 feature about Ford's transformation provides some information, but think about other forces for and against change beyond the information provided in this vignette.**

This open-ended question will get students thinking about the dynamics of the external environment for car industry manufacturing firms. There are too many to list here, but some of the top factors might include cost competitiveness, changing consumer expectations and tastes, and changing government regulations (e.g. fuel efficiency). Students should not only identify these and other potential forces for change, but also forces that restrain organizational change.

- 3. Employee resistance is a symptom, not a problem, in the change process. What are some of the real problems that may underlie employee resistance?**

The textbook outlines six main reasons why employees resist change. The following reasons explain the real problems that employees experience and are concerned about with change processes.

Negative valence of change. Employees apply a cost-benefit analysis to determine if the change will make them better or worse off. Resistance to change is higher when employees believe that: (a) the change will have more negative than positive outcomes (e.g., lost status, lower pay, poorer working conditions), and (b) the negative outcomes have a high probability of occurring and the positive outcomes have a low probability of occurring.

Fear of the unknown. People resist change because they are worried they will not be able to adopt the new behaviors required..

Not-invented-here-syndrome. Some employees oppose change whose success threatens their self-esteem. This occurs when the change was within the individual's job duties or mandate, but was discovered or decided by others instead.

Breaking routines. People do not want to give up their comfort zones and daily routines that provide predictability.

Incongruent team dynamics. Team norms may conflict with the desired change and consequently reinforce conformity to the status quo.

Incongruent organizational systems. Organizational systems may actually be discouraging employees from adopting new ways. For example, the organization's reward, selection, training and other control systems may be causing employees to maintain the status quo.

4. **Senior management of a large multinational corporation is planning to restructure the organization. Currently, the organization is decentralized around geographic areas so that the executive responsible for each area has considerable autonomy over manufacturing and sales. The new structure will transfer power to the executives responsible for different product groups; the executives responsible for each geographic area will no longer be responsible for manufacturing in their area but will retain control over sales activities. Describe two types of resistance senior management might encounter from this organizational change.**

The answer to this question should include direct costs as one type of resistance to change among the geographic executives. They will lose status, power, and responsibility from the change effort. The other type of resistance to change might be incongruent organizational systems, incongruent team dynamics, or breaking routines. Unless the company has taken specific steps to alter organizational systems, these systems might still support the decentralized organizational structure. For example, communication patterns and physical structures might still be configured around the geographic rather than product structure.

Regarding team dynamics, departmental norms might support the geographic executive. For example, employees might have developed a "we-they" attitude toward product leaders in headquarters. Although the restructuring placed regional product groups under product executives, these antagonistic norms may continue.

Finally, some students might argue that resistance will occur because employees will be breaking routines. For instance, geographic executives and their employees may have formed habits regarding relations between sales and production units. Now that production units are no longer under the executives' control, these habits must be altered and perhaps sales practices changed to fit the new reporting structure.

5. **Discuss the role of reward systems in organizational change. Specifically, identify where reward systems relate to Lewin's force field model and where they undermine the organizational change process.**

Students should recognize that reward systems can be either a source of resistance to change or a system that reinforces the desired change (i.e. refreezes the system). As a source of resistance, rewards would be an incongruent organizational system, such as where rewards reinforce efficiency but the organization is trying to change toward a customer focus. As a mechanism for refreezing, rewards are introduced or change so they are compatible with the desired behaviors.

6. **Web Circuits is a Malaysian-based custom manufacturer for high-technology companies. Senior management wants to introduce lean management practices to reduce production costs and remain competitive. A consultant has recommended that the company start with a pilot project in one department and, when successful, diffuse these practices to other areas of the organization. Discuss the advantages of this recommendation, and identify three ways (other than the pilot project's success) to make diffusion of the change effort more successful.**

A pilot project is usually an effective change management strategy. It is more flexible and less risky than centralized organization wide programs. There are several ways to make diffusion of the change effort more successful. Several strategies are described in the textbook around the four elements of the MARS model. Here is a summary of these recommendations:

Motivation: Ensure that employees see that the pilot project is successful and that people in the pilot project receive recognition and rewards for changing their previous work practices. Supervisors need to actively support and reinforce the desired behaviors. They also need to remove sources of resistance that act as counter-motivators to diffusion of change.

Ability: employees must have the ability – the required skills and knowledge -- to adopt the practices introduced in the pilot project. Also, people adopt ideas more readily when they have an opportunity to interact and learn from others who have already applied the new practices.

Role Perceptions: Employees need to understand how the practices in a pilot project apply to them even though in a completely different functional area. This requires guidance that is neither too specific, because it might not seem relevant to other areas of the organization, nor too abstract.

Situational Factors: Employees require supportive situational factors, including the resources and time necessary to adopt the practices demonstrated in the pilot project.

7. What is the role of formal and informal networks in organizations interested in undergoing change?

Environmental forces push companies to change. However, change agents cannot lead the initiative alone. It requires assistance from several others equally committed to the change. A formal guiding coalition can be structured to serve this purpose, however, change also occurs informally through social networks. These informal social networks have an important role in communication and influence, both of which are key ingredients for organizational change.

8. Suppose that you are vice president of branch services at the Bank of East Lansing. You notice that several branches have consistently low customer service ratings, even though there are no apparent differences in resources or staff characteristics. Describe an appreciative inquiry process in one of these branches that might help overcome this problem.

Appreciative inquiry reframes relationships around the positive and the possible. The bank branches should look at another branch that has been successful. This increases open dialogue by redirecting attention away from internal problems. If branch rivalries are a problem, then each branch might compare itself with a successful operation in another organization or industry.

There are four main stages to appreciative inquiry. The process begins with the discovery stage, whereby the participants identify the positive elements of the observed organization. As they discuss their findings, participants shift into the dreaming stage by considering what might be possible in an ideal organization.

The third stage of appreciative inquiry is known as designing, in which participants listen with selfless receptivity to each other's models and assumptions, and eventually form a collective model for thinking within the team. Throughout this stage, team members shift the focus back to their own organization and eventually enter the delivering stage. This is the phase in which participants begin discussing their own organization again. They establish specific objectives and direction for their own organization based on their model of what should be.



CASE STUDY: TRANSACT INSURANCE CORPORATION

Case Synopsis

TransAct Insurance Corporation (TIC) provides automobile insurance throughout the southeastern United States. Jim Leon was hired as vice-president of Claims and immediately began a series of changes. He decided to make morale and supervisory leadership his top priority. One of Leon's most pronounced symbols of change was the "Claims Management Credo" outlining the philosophy that every claims manager would follow. After the credo was "approved" by claims managers, Leon announced plans to follow up with an annual survey to evaluate each claims manager's performance. One year later, a survey of claims center employees was held. Claims managers didn't believe that Leon would really conduct the survey. The survey had a high response rate, with most managers receiving moderate or poor ratings on the ten credo items. The survey results, including every comment made by employees at that claims center, were shown to employees. Claims center managers were shocked. Discussion meetings with employees were attended by the regional director to control or avoid confrontations. Soon after these meetings, some claims managers quit or asked for transfers into nonmanagement jobs.

Epilogue. Shortly after the first survey, the newsletter was suspended. Jim had many more meetings with his managers and directors. Jim eventually concluded that too many of his managers were "technical experts" in insurance and lacked the people skills necessary for management. To resolve this problem, managers were asked to compete for revised positions with a greater emphasis on management ability rather than technical prowess. A few new managers were brought in but most of the successful candidates were selected from the existing roster of managers. Employee surveys stopped after four years. Jim left and went into semi-retirement.

Suggested Answers to Case Questions

1. What symptom(s) exist in this case to suggest that something has gone wrong?

There are several symptoms suggesting that Jim Leon's change process is not going well. First, employees and managers alike are dissatisfied with the process, although for different reasons. Some of the debriefing sessions revealed levels of unhealthy conflict. A few managers have quit their jobs or asked for transfers. Earlier, managers quietly resisted the changes by not taking the process seriously (i.e. they ignored it until the next round of events).

2. What are the root causes that have led to these symptoms?

Jim Leon was unsuccessful with this change process. Although his small changes described at the beginning of the case seem to have worked, the survey process created such resistance and reaction from managers that change probably became more difficult afterwards. By looking at the action research model, we can see that at least the first two stages were not conducted sufficiently well.

The main causes can be identified from evidence of (a) the lack of urgency to change among managers, (b) various sources of resistance to change, and (c) lack of diagnosis for the change intervention.

Lack of urgency. Jim Leon did not diagnose the readiness for change of his claims managers and employees. The claims managers did not believe that the survey would be conducted, they doubted the importance of the Claims Management credo, and they did not support the open survey feedback process. Consequently, Leon did not provide enough evidence and argument to motivate the claims managers to embrace or at least prepare themselves for the change process.

Sources of Resistance. The claims managers engaged in passive resistance to the change. Students should be able to identify likely reasons for this resistance. The intervention might require changing managerial practices, which relates to breaking routines, fear of the unknown, and possibly direct costs (where managers lose power, resources, or status). Managerial norms of behavior might also be present that interfere with the desired changes. We don't

have information about systems or structures, but they might also act as barriers. Students might note the lack of involvement of managers in the change process. Although they identified the survey performance factors, this list was really restricted to the point that Leon was more in control of the factors to be considered.

Diagnose Need for Change. The employee survey is an intervention, because it was intended to be an ongoing system in management development at TransAct. However, the initial survey was also a diagnostic tool to help Leon and claims managers identify areas that need improvement. Although students may debate the appropriateness of a survey for data collection, the main problem is that the data were not fed back to claims managers in a way that minimizes perceptual defense. This is important, because it affects the willingness of participants to continue with the intervention. For example, the survey data were both an evaluation tool and an organizational change assessment tool. Moreover, the process was delayed for one year, so managers may have lost any inertia toward change that occurred when the credo was formed a year earlier. Another concern is that some of the survey items may relate to factors over which the claims managers have no control. Employees had low morale and overwork before Leon took over as VP of claims. Several years of pent-up frustration were vented in the survey, and claims managers were not completely responsible for those feelings.

There are arguments in favor of using the employee survey process, such as that this is cost-efficient for a large group of people. However, the survey design and feedback should be changed to improve their relevance and acceptability to everyone involved. The claims managers should be put in a better state of readiness to participate in the survey design process. The questions should be clearly and objectively related to the claims manager's jobs. The survey feedback should be more confidential, perhaps with feedback sessions based only on overall statistical results across the claims division (i.e., not within the small claims centers and not with individual comments).

3. What actions should the company take to correct these problems?

The company should begin the change process again. This would begin by identifying on what needs to change (more customer focus? cost efficiency? employee engagement?). Next, the change process requires stronger mechanisms to create an urgency to change, such as more direct evidence of company problems, of increased competition, or of a greater potential effectiveness. Third, employee and management involvement in the process needs to be real rather than highly restricted. Thus, in line with action research, the preferred intervention and indicators of its effectiveness should rely on input from these stakeholders, not just Jim Leon or the CEO. The latter may have ultimate decision control, but involvement is critical for buy in. The CEO and Leon might also consider a pilot project if the change is difficult and risky. However, since the unit is integrated, a pilot project may be difficult. Finally, the choice of intervention needs to be carefully chosen such that it is aligned with the change objectives. This may involve training, changing rewards and information systems, or other systems alterations.

Students should also discuss Jim Leon as a change agent. Specifically, there is reason to believe that Leon has lost trust, respect, and credibility to lead the change process. This does not necessarily mean that he needs to be replaced as head of claims. Rather, an external consultant who works with management and employees may be required to engage in the next attempt to change.



TEAM EXERCISE: STRATEGIC CHANGE INCIDENTS

Purpose

This exercise is designed to help students to identify strategies to facilitate organizational change in various situations.

Instructions

Step 1: The instructor will place students into teams, and each team will be assigned one of the scenarios presented in this exercise.

Step 2: Each team will diagnose its assigned scenario to determine the most appropriate set of change management practices. Where appropriate, these practices should (a) create an urgency to change, (b) minimize resistance to change, and (c) refreeze the situation to support the change initiative. Each of these scenarios is based on real events that occurred in the United States and elsewhere.

Step 3: Each team will present and defend its change management strategy. Class discussion regarding the appropriateness and feasibility of each strategy will occur after all teams assigned the same scenario have presented. The instructor will then describe what the organizations actually did in these situations.

Comments for Instructors

This exercise has been used several times in MBA classes and executive development programs, with consistently good results. The activity should also work well with undergraduate university and college classes because it is straightforward and applies concepts from the textbook.

The activity is made more interesting by the fact that these scenarios involve REAL COMPANIES, so the instructor can advise students that their strategies will be compared with what the companies actually did. The PowerPoint file for this chapter includes a summary of these scenarios, including the actions taken by the two real organizations. (These PowerPoint slides appear after the slides for the chapter content.)

Scenario 1: Greener Telco

The board of directors at a large telecom company wants its executives to make the organization more environmentally friendly by encouraging employees to reduce waste in the workplace. Government and other stakeholders expect the company to take this action and be publicly successful. Consequently, the managing director wants to significantly reduce paper, usage, refuse, and other waste throughout the company's many widespread offices. Unfortunately, a survey indicates that employees do not value environmental objectives and do not know how to "reduce, reuse, recycle." As the executive responsible for this change, you have been asked to develop a strategy that might bring about meaningful behavioral change toward this environmental goal. What would you do?

What Actually Happened:

This incident describes the "Zero Waste" program several years ago at Bell Canada. Bell Canada is the largest telephone company in that country. Although the intervention occurred two decades ago, it is a timeless incident for discussion because it applies to behavior change that might occur in any organization and would involve employees at all levels. Bell Canada invoked change by applying several strategies to minimize resistance to change. Here are the steps the telephone company took to bring about Zero waste:

Communication: Employees attended information sessions and saw banners at the front entrance about the beginning of "Zero Waste". A task force of employee representatives kept everyone informed about developments leading up to the first day of zero waste.

Training. Employees were shown how to reduce paper waste by using both sides of paper, using scrap paper as memo pads, re-using office envelopes, and relying more on email and voice mail than written memos. In the cafeteria, they learned to separate leftover food and deposit it into the appropriate compost bin. The company also installed a special telephone hotline to answer questions about recycling. Bell Canada employees also received feedback about their progress toward the waste reduction goal. The task force weighed the garbage twice each week and publicly displayed these results on charts. The garbage was occasionally 'audited' for incorrect behaviors, such as throwing apple cores in the paper recycling bin. Offending employees were politely encouraged to use the compost bin instead.

Employee involvement. Bell Canada deliberately selected the more popular employees in each department to serve on a special task force to develop the Zero Waste program. These employees quickly became champions as they took ownership of the program. They were also conduits of information and enthusiasm back to the departments where they worked.

Coercion (structural). The Zero Waste program created barriers to wasteful behavior. Paper towels were replaced with electric hand dryers in the washrooms. Styrofoam cups were replaced with reusable mugs at each employee's desk. Metal garbage cans at each workstation were replaced with plastic recycling bins. Employees were left with tiny reusable bags to carry nonrecyclables to specially marked bins located elsewhere in the building.

Along with these strategies, Bell Canada began the program as a pilot project in one of its largest buildings. That pilot project reduced waste by 98 percent -- from nearly 1,000 pounds of waste each day to less than 25 pounds of waste each day. The company subsequently applied similar change management principles to improve energy conservation.

Some students might correctly suggest that the change process is essentially applying the MARS model to alter individual behavior. Bell Canada motivated employees, changed their role perceptions, and improved their ability through training to reduce waste. Perhaps most important, Bell Canada changed the environment so that situational factors made it more difficult to engage in wasteful behavior.

References: J. Mills, "Bell Sets Example with 'Zero Waste' Program," *Montreal Gazette*, (February 14, 1993), p. C3; C. Mahood, "Bell Zeros in on Waste," *Globe & Mail*, (May 4, 1992), pp. B1, B2; "Bell Canada," *Inside Guide*, (January 1993), pp. 46-48; D. Hogarth, "Firms Reap Green Harvest," *Financial Post*, (June 15-17, 1991), p. 18.

Scenario 2: Go Forward Airline

A major airline had experienced a decade of rough turbulence, including two bouts of bankruptcy protection, 10 managing directors, and morale so low that employees had ripped off company logos from their uniforms out of embarrassment. Service was terrible and the airplanes rarely arrived or left the terminal on time. This was costing the airline significant amounts of money in passenger lay-overs. Managers were paralyzed by anxiety and many had been with the firm so long that they didn't know how to set strategic goals that worked. One-fifth of all flights were losing money and the company overall was near financial collapse (just three months to defaulting on payroll obligations). The newly-hired CEO and you must get employees to quickly improve operational efficiency and customer service. What actions would you take to bring about these changes in time?

What Actually Happened:

Scenario #2 describes the troubles that Continental Airlines experienced during the 1980s and early 1990s. The airline, now merged with United Airlines, was itself the result of seven merged airlines and had been managed badly over the previous decade. Continental went into bankruptcy twice and was almost out of cash when Gordon Bethune and Greg Brenneman were hired as chairman and president, respectively. The company was continually losing money and its continuous cost-cutting only made matters worse by destroying customer service and employee loyalty. Continental executives Gordon Bethune and Greg Brenneman applied the following change management strategy:

Communication. Bethune and Brenneman constantly communicated their "Go Forward" strategic plan to save the airline. Go Forward covered four cornerstones: market, financial, product, and people. Bethune and Brenneman also worked alongside baggage staff and other employees, discussing their go forward plan while performing the front-line work. The company also posted news of the change process on bulletin boards, in weekly voice mails from Bethune, and in monthly open house meetings with employees.

Training. There were no apparent training programs to change Continental airlines. Bethune and Brenneman argued that employees already knew their jobs, but lacked the opportunity and strategy to put their skills and knowledge to use. However, Continental introduced new goals (such as on-time departures) and used Department of Transportation monthly measures as feedback on how well the company performed on these performance metrics.

Employee Involvement. Bethune and Brenneman collected the “Thou Shalt not” manual – the guidebook on what employees are not allowed to do – and publicly burned them in the parking lot. Then Bethune and Brenneman told employees to make customer service happen.

Coercion. Fifty-one of the 60 executives were replaced within a couple of months. Bethune and Brenneman stated that it is difficult for people who get a company into a mess to get them out. Moreover, the executives who made these mistakes for so long would not be trusted by employees to lead them into the future.

Along with these strategies, Continental introduced rewards that aligned employees with the company’s new strategic goals. Rather than reduce costs, Continental was going to improve service. Thus, employees were each paid \$65 for each month that Continental placed in the top five airlines for on-time service, according to the Department of Transportation. In change management, rewards relate to introducing systems and structures to “refreeze” the desired conditions.

Bethune and Brenneman also brought about rapid change by hiring senior executives (replacing those fired) with competencies and values that were more aligned with the Go Forward plan.

References: G. Brenneman, “Right Away and All at Once: How We Saved Continental,” *Harvard Business Review*, September-October 1998, pp. 162-79; T. Kennedy, “Confidence returns with Continental's strong comeback,” *Minneapolis Star Tribune*, February 1, 1998, p. 1A.



SELF-ASSESSMENT: ARE YOU TOLERANT OF CHANGE?

Purpose

This exercise is designed to help students understand how people differ in their tolerance of change.

Background

Some people are naturally less comfortable than other people with the complexity and uncertainty of change. This self-assessment provides an estimate of how tolerant people are of change.

Students are asked to read each of the statements and circle the response that best fits their personal belief. They then use the scoring key to calculate their results. This self-assessment is completed alone so that students rate themselves honestly without concerns of social comparison. However, class discussion will focus on the meaning of tolerance of change, how this scale might be applied in organizations, and the limitations of measuring tolerance of change in work settings.

Feedback for the Tolerance of Change Scale

This measurement instrument is formally known as the “tolerance of ambiguity” scale. The original scale, developed 50 years ago, has since been revised and adapted. The instrument presented here is an adaptation of these revised instruments. People with a high tolerance for ambiguity are comfortable with uncertainty and new situations. These are characteristics of the hyperfast changes occurring in many organizations today. This instrument ranges from 10 to 70, with higher scores indicating a higher tolerance for change (i.e., higher tolerance for ambiguity). The table at the right indicates the range of scores for high, medium, and low tolerance for change. These norms are estimates from recent studies using some or all of these items.

Tolerance for Change Score	Interpretation
50-70	You seem to have a high tolerance for change
30-49	You seem to have a moderate level of tolerance for change.
10-29	You seem to have a low tolerance for change. Instead, you prefer stable work environments.