

Section VI

How do you improve organizational effectiveness?

Every organization contains the seeds of its own destruction and every organization must change periodically to retain its effectiveness. Organizational processes are designed to create stability and predictability by establishing patterned activities that everyone can expect. But organizations exist in an ever changing world that requires them to adapt to new people, new technologies, and new environments. Companies that refuse to change or fail to change fast enough will not survive. On the other hand, those that successfully adapt can survive and grow even in turbulent times and even if they have to change industries or markets.

The final chapters in Section VI explain the change process for individuals and organizations. Chapter 19 describes the theories of change and explains what must occur to achieve lasting change. Chapter 20 applies these theories to different organizational development change interventions. Many change efforts have been tried in organizations to help them adapt to new demands and OD interventions need to focus on the appropriate target of change. Chapter 21 discusses the problems of obsolescence and describes what you can do to achieve career success. This chapter also explains the causes of job stress and suggests ways for you to manage it.

Chapter 19: Organizational Change

Chapter 20: Organizational Development

Chapter 21: Improving Your Own Effectiveness:

Appendix A: Towards an Integration of Sacred and Secular Processes of OB

Chapter 19

Organizational Change

Chapter Outline

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- Forces of Change
- Resistance to Change

Organizational Change

- Kinds of Change
- Targets of Change
- Theories of Change
- Action Research Model
- Re-energizing the Mature Organization

Organizational Survival and Adaptation

Organizations live in an ever-changing environment and their survival depends on their ability to adapt to new demands and opportunities.

Forces of Change

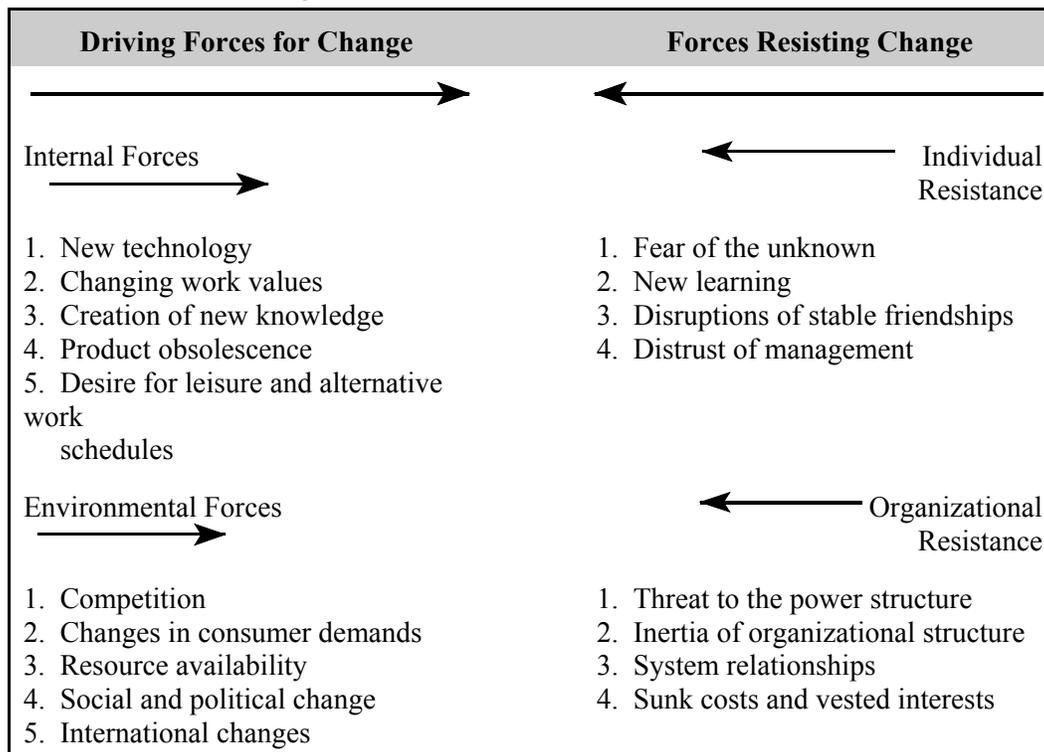
Organizations are required to change because of a broad variety of different forces. These forces can be analyzed in terms of both internal forces within the organization and external forces in the environment, as shown in Exhibit 19.1.

Internal Forces of Change. Several forces within the organization may require it to change:

1. *New Technology.* The rate of technological change seems to increase every year with new machines, new manufacturing processes, and scientific discoveries. New jobs are created and old jobs are deleted because of technological change. Advances in computer technology and communication systems are probably the most significant technological changes in recent years. In future years, the use of computers and the Internet will continue to increase, influencing every industry. Communication will be facilitated by mobile phones that people carry with them at all times.
2. *Work values.* Organizations are forced to respond to the changing values of their members. Some of the most significant changes include a change in priorities that puts family responsibilities ahead of work, a decline in the moral obligation to have a job, a decline in the sense of organizational loyalty, greater indifference toward promotions and advancement, greater variety in lifestyle and work schedules, and greater career mobility. Many managers are asking, "Why should I be loyal to the company if the company is not loyal to me?" Years of dedicated service seem to be ignored as layers of managerial jobs are deleted from the organizational chart after a merger or acquisition.¹

3. *Knowledge Management.* The creation of new knowledge requires organizations to operate differently, and new knowledge is being created at a very rapid rate. The creation of new knowledge requires managers to find methods for assimilating and storing useful information and converting it into profitable products and services.
4. *Product obsolescence.* Technological advances and the explosion of knowledge combine to make many products obsolete in a very short time. In an average supermarket, for example, approximately 55 percent of the items sold today did not exist ten years ago. Of the products sold then, about 40 percent are no longer produced. When the first pocket calculator was sold in the early 1970s, it was priced at approximately \$250. Ten years later, a pocket calculator that was both more complex and more compact could be purchased for less than a tenth of its earlier price. In recent years, calculators have been built into wallets, watches, and even matchbooks and have been given away free as party favors at luncheons. Rapid product obsolescence requires organizations to shorten production lead times and develop the capacity to adjust rapidly.
5. *Alternative work schedules.* More attractive opportunities for leisure and hobbies have encouraged employees to place greater demands on the organization for alternative schedules of work, such as job sharing and flextime, plus time away from work. With the increasing use of electronic mail and facsimile (fax) machines, some people avoid commuting to work by working at home on a computer connected to their office.

Exhibit 19.1 Forces of Change



Environmental Forces of Change. Organizations cannot control the environment; nevertheless, astute managers identify the external forces for change and respond appropriately to them.

1. *Competition.* Changes in the marketplace can destroy a company's profitability. Consequently, managers need to know when their competitors introduce new products, change their advertising, reduce their prices, or improve their customer service. Although competition creates uncertainty, it contributes to the development of better consumer products and services. These benefits are illustrated most dramatically by comparing the cost and quality of consumer goods in competitive economies with the limited consumer goods available in regulated socialist economies.
2. *Consumer demand.* Managers must be concerned about changes in consumer tastes and preferences because a firm's products may lose their appeal for very trivial and superficial reasons. Fashions change frequently, regardless of whether the previous style was functional or comfortable. Rumors that a product causes cancer, high blood pressure, or some other health hazard can destroy consumer products even though the rumors may be false.
3. *Resource availability* Organizations depend on the external environment for raw materials and other resources. Disruptions in the supply of crucial resources can force organizations to drastically alter their operations, as was illustrated by the oil embargo in the mid 1970s and the shortages during World War II. Uncertainty in obtaining resources has prompted many organizations to extend their boundaries in an attempt to reduce this uncertainty. For example, electric power companies have purchased their own coal mines, steel companies produce their own coke, and food industries have purchased their own trucking lines.
4. *Social and political change.* As social and political changes occur, organizations are required to adapt. The Civil Rights Act of 1964, for example, had a very powerful impact in reducing discrimination by requiring organizations to eliminate discriminatory employment practices. Federal regulations regarding environmental pollution, toxic wastes, and safety hazards require organizations to either comply or cease doing business.
5. *International forces.* International economic forces, such as wars, balance-of-payments problems, and lower labor rates in foreign countries exert an ever-increasing influence on organizations. Managers are learning that the flow of oil out of the Middle East, monetary transactions in Switzerland, the war in Central Europe, and low wages in Asian nations are having as large an impact on the success of their organization as are their competitors down the street.

Organizational effectiveness depends in part on balancing flexibility and structure. Organizations can expect to improve their effectiveness by creating a highly structured organization with clearly defined rules and procedures. If the environment remains constant, a stable structure contributes to effectiveness. However, conditions do not remain the same, so organizations are constantly caught in the dilemma, between being highly structured versus being adaptable. Highly structured organizations that are rigid and inflexible are doomed to inefficiency and will eventually disappear. Therefore, organizations face a constant dilemma, trying to balance between being sufficiently organized to operate efficiently, while at the same time being sufficiently adaptable to respond to new forces demanding change.²

Resistance to Change

Although change is inevitable, people tend to resist it. Some evidences of resistance to change are very overt, such as wildcat strikes, work stoppages, turnover, and protests about a proposed change. Resistance to change may also be very subtle and indirect, such as dissatisfaction, grievances, requests for transfers, absenteeism, excessive damage to machines, and conflict among members of a work crew. The reasons explaining resistance to change can be divided into individual and organizational forces of resistance, as shown in Exhibit 19.1.

Individual Resistance. People resist change for a variety of reasons, and before implementing change managers should try to understand why people are likely to object.

1. *Fear of the unknown.* Although change may improve life, the outcome is not certain, and fear of the unknown causes a powerful resistance to change. Significant change presents a realistic possibility that jobs will be terminated and employees laid off. These fears can be very frightening and persist in spite of management's attempt to assure employees that jobs will not be eliminated.
2. *New learning.* Learning a new task or procedure requires a conscious effort and is not as comfortable as doing it the "same old way." Some changes are small; others are far more significant, requiring people to learn a new language, develop a new technology, learn how to operate a computer, or adjust to a totally new culture. Although learning new ideas can be exciting, most people report that the excitement came after the learning occurred, not before.
3. *Disruption of stable friendships.* By working together, employees develop stable friendships. When these social interactions are disrupted, the resulting dissatisfaction is quite understandable. Almost any organizational change has the potential of destroying stable interactions and creating uncomfortable feelings of social isolation and loneliness.
4. *Distrust of management.* Employees often suspect the reason for change is to make them work faster for the same pay. Management usually has difficulty assuring employees of their motives because too many times in the history of labor relations, managers have exploited labor. Workers on piece-rate incentive plans, for example, have learned by sad experience that if they work rapidly to earn more money, their jobs are likely to be retimed, requiring them to work at the same speed for less money.

Organizational Resistance to Change. The organizational structure itself also resists change. Necessary changes may be resisted even when the survival of the organization depends on changing.

1. *Threats to the power structure.* Most changes have the capacity to disrupt the organization's power structure. Participative changes may be particularly threatening to managers because group decisions tend to restrict the manager's influence. Decentralized decision making may be a welcomed improvement for lower-level employees while higher-level employees are threatened by it.
2. *The inertia of organizational structure.* Control systems within organizations are over-determined in the sense that they have several mechanisms designed to produce stability. Organizational structures are designed to maintain a stable pattern of interactions among people. Therefore, job assignments, the selection of new personnel, training of new employees, performance and reward systems, and many other aspects of the organizational structure are designed to maintain stable

interactions, thereby resisting change. To the extent that an organization is more highly structured, it tends to be more resistant to change.

3. *System relationships.* Since organizations are a complex collection of interacting subsystems, it is difficult to make a change in one subsystem without that change affecting other subsystems. A change in the accounting department may influence the methods of reporting and record-keeping of every other department. A revised regulation in a labor contract may require supervisors throughout the organization to behave differently.
4. *Sunk costs and vested interests.* “Sunk costs” are investments in fixed assets, such as equipment, land, and buildings. “Vested interests” are the personal commitments of individuals to programs, policies, or other people. Vested interests may be as difficult for individuals to abandon as sunk costs are difficult for an organization to recoup. Sunk costs and vested interests make it difficult to assess objectively the benefits of doing things differently.

A principle that seems rather well accepted among change agents is that significant change only occurs when people are feeling pain. Unless their present conditions create enough discomfort, there is no motive for change. Change agents usually try to assess how much emotion people feel regarding the change issues before they try to initiate a change strategy.³

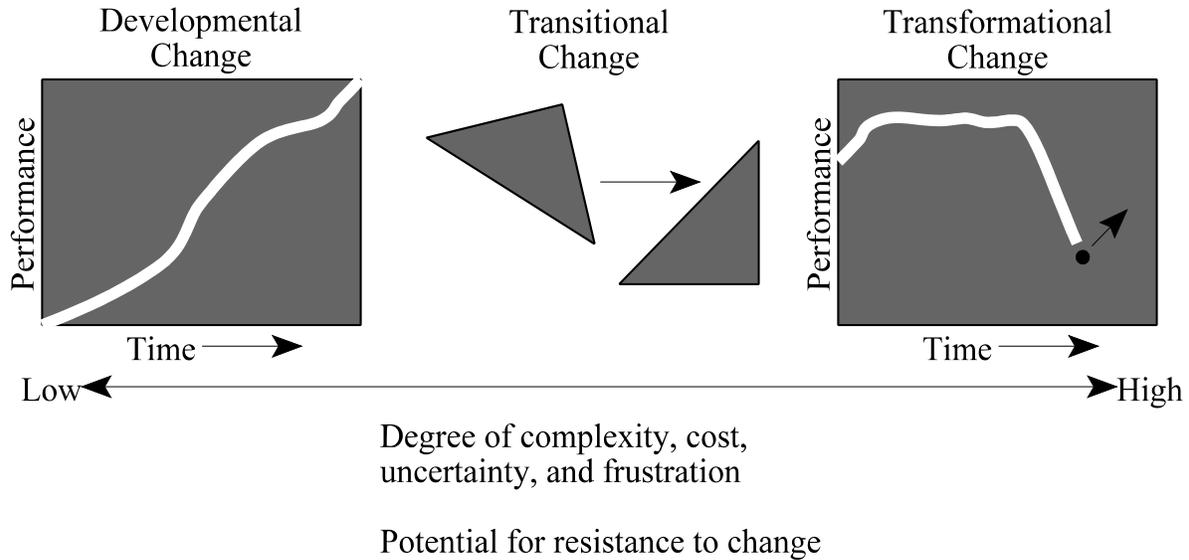
Organizational Change

A common mistake in initiating change is assuming that because an organization is a collection of people it can be changed by changing each individual. This assumption is wrong, because it overlooks the complexity of individual behavior and the influence of organizational processes. Organizational change is a complex process, and many different strategies have been proposed for creating change. In the field of psychology, most change strategies focus on changing the behavior of a single individual. In organizational behavior, efforts to change a single personality are rare because organizational problems are seldom problems of isolated people. Most problems are caused by the interactions of individuals within groups and between interacting groups. Consequently, successful change strategies require the active involvement of many people.

Kinds of Change

Organizations are constantly involved in change, but not all change is the same. Although some organizations make minor adjustments to take advantage of new opportunities, other organizations are devoured in corporate takeovers that move them into entirely different industries. Therefore, some changes have a larger impact on people and are more difficult to implement than others. Three kinds of change have been categorized according to their degree of complexity and their potential for resistance to change, as shown in Exhibit 19.2: developmental, transitional, and transformational.⁴

Exhibit 19.2 Kinds of Organizational Change



Developmental Change. *Developmental change* is a gradual improvement in skills, methods, or processes to help an organization function more efficiently. This kind of change might be considered fine-tuning, because it is usually a small adjustment that helps to raise individual productivity, reduce conflict, improve communication, eliminate wasted motions, or otherwise contribute to organizational effectiveness. Developmental change results in an improvement in what is currently happening rather than the formation of an entirely new process. This kind of change should be incorporated into the company's training and development programs and reviewed as part of its performance evaluation process. Resistance to developmental change is usually not manifested in open opposition but as a subtle refusal of individuals to learn new skills or adopt new procedures.

Transitional Change. *Transitional change* is having an organization evolve slowly from an old state to a new state. The change occurs gradually over time, but it involves more than improving what is already there, as in developmental change. Transitional change involves new processes, new activities, new products, and sometimes a new organizational structure. This kind of change usually occurs in defined transition steps such as a series of delineated stages, pilot projects, phase-in operations, temporary arrangements, and reorganizations.

Transformational Change. The most dramatic kind of change is *transformational change*, which is characterized by a radical reconceptualization of the organization's mission, culture, products, leadership, or structure. This kind of change occurs in companies that have become stagnant and started to disintegrate. A typical scenario is a mature company whose sales plateaued several years earlier and has recently experienced chaos because of declining sales and a loss of market share due to foreign competition.

It is also possible for an entire industry to be threatened by technological improvements that make the old ways of doing business obsolete, such as the shift in the steel industry from large, integrated steel mills with their open-hearth furnaces to the small minimills with their electric furnaces. The minimills produce about four times as many tons of steel per employee hour and their process is superior in terms of safety, speed, and reduced environmental pollution.⁵

Transformational change often occurs because of a significant *paradigm change* within the industry. The word *paradigm* comes from the Greek word for “pattern,” and the new paradigm is a new pattern of behavior or a new way of looking at the world. Paradigm changes often result from a new set of assumptions, a new way of structuring an issue, a new way of thinking about a problem, or a new technological innovation that makes the former technology obsolete.⁶

Paradigm changes within an industry affect every organization in that industry. For example, the efficiency of electric furnaces influences all steel mills worldwide, including both the minimills and the large integrated mills. Organizations that cannot or choose not to change usually die. The industrial graveyard is filled with organizations that dissolved because their success kept them from recognizing the paradigm shift and the need to change. Organizations that recognize a paradigm shift early enough can plan for gradual systematic transitional change. Organizations that fail to recognize the need for change until they are in the middle of chaos and turmoil are forced into transformational change that is usually associated with frustration, uncertainty, and crisis planning.

Another way to describe transformational change is called “punctuated equilibrium,” which refers to an alternation between long periods when stable organizational structures permit only incremental adjustments separated by brief periods of revolutionary upheaval. During periods of calm, only developmental changes are happening. But every so often, massive restructuring or realignment occurs that fundamentally alters the structure and direction of the organization. Punctuated equilibrium has been observed not only in organizational change, but also in other domains, such as individual development, group dynamics, biological evolution, and the history of science.⁷ Punctuated equilibrium is illustrated by the paradigm changes in the computer industry.

Targets of Change

Organizational change strategies are designed to create change at a specific level in an organization. The seven most common targets of change are as follows:

Individual Personality. Occasionally organizational difficulties stem from the personality of a specific individual. For example, a supervisor could be excessively punitive and dictatorial, or a worker might be constantly critical, negative, or otherwise offensive. Key individuals who work in administrative or executive positions are often criticized because of their supervisory style.

Dyad. The term *dyad* refers to the relationship between two people, such as two co-workers or a married couple. Occasionally the problems between two people are not specifically caused by either person; they are caused by the relationship between them. In an interdependent relationship, both members develop expectations regarding one another. When these expectations are violated, serious conflicts can occur. The cause of the problem may have nothing to do with inadequacy or immaturity on the part of either individual. Both may be healthy individuals, but they may have unrealistic or inconsistent expectations regarding their relationship. Here the problem is not people but the relationship between them.

Group. Work groups are probably the most popular target of OD interventions. These change strategies can focus on conflict within the group or on changing group norms. Each group develops its own goals and norms influencing member behavior. Occasionally the group norms are inconsistent with the goals of the organization or unacceptable to members of the group. Groups may also develop a hostile climate in which some group members are not accepted.

Family Groups. Family groups consist of a supervisor and the immediate subordinates who report to that supervisor. Specific problems can exist within family groups in addition to the typical problems that occur in peer groups. Issues regarding leadership style, authority, delegation of work assignments, and performance evaluations are sources of potential conflicts.

The Entire Organization and Its Divisions. Greater cohesiveness within groups usually inspires more conflicts between groups. Change strategies may need to focus on the relationships between groups and the ways in which the major divisions of a company coordinate their efforts. The contributions of all the separate departments should result in a carefully balanced and highly integrated organization.

Organizational Structure. Occasionally the structure of the organization must change to meet new demands or provide greater efficiency. Change strategies may focus on a variety of structural characteristics, such as the division of labor, pattern of departmentalization, the span of control, or the reporting relationships.

Organizational Strategy. Significant changes in technology or competition may require organizations to alter their strategic direction. Therefore, the target of some change efforts focuses on clarifying the mission of the organization and what it must do to survive. The outcome of this change could be something as simple as adding or deleting product lines or as drastic as moving into a different industry or merging with another company.

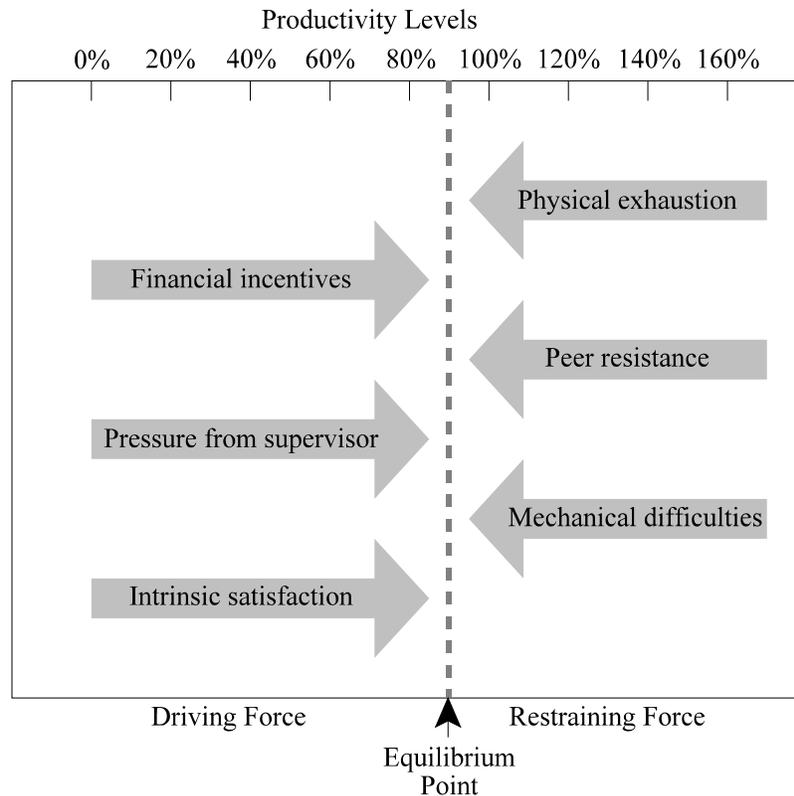
Theories of Change

One of the earliest theories of change was the force field analysis proposed by Kurt Lewin. Although this model was derived from the physical sciences, it continues to provide a valuable framework for thinking about change and diagnosing problems. Other change models have come from psychology, social psychology, and group dynamics.

Kurt Lewin's Force Field Analysis. Kurt Lewin's theory of change was derived from the laws of physics, which state that the position of an object and its direction are determined by the forces operating on it. Change occurs when the forces pushing in one direction are greater than the forces pushing in the opposite direction. A state of balance exists when the restraining forces acting to prevent change are equal to the driving forces attempting to produce change. The equilibrium point is determined by the resultant forces operating in different directions, as shown in Exhibit 19.3. According to Kurt Lewin, planned change occurs in three stages: unfreezing, change, and refreezing.⁸

1. *Unfreezing* occurs when people see a need for change. The status quo is disturbed by unsettling forces that challenge current values, attitudes, and behaviors.
2. *Change* is the action-oriented stage, in which the situation is diagnosed, improved patterns of behavior are selected, and a new equilibrium is created. As a result of change, people develop new values, attitudes, and/or behaviors.

Exhibit 19.3 An Illustration of Kurt Lewin's Force Field Analysis



3. *Refreezing* stabilizes the change and solidifies the new patterns of behavior. Refreezing requires continued management of the change process beyond the immediate implementation. Refreezing also requires that people experience positive consequences to strengthen their continuing commitment to the new change. The new state then becomes the status quo for future behavior.

According to Lewin's *force field analysis*, managers create planned change by altering the restraining and driving forces. A careful analysis is needed to determine how the restraining forces can be reduced and/or how the driving forces can be strengthened. Lewin's force field analysis has been a popular model for analyzing change programs and predicting the effects of future changes.

Change Processes. Most change efforts do not produce lasting change. Even when a change effort succeeds in reaching its target, the likelihood that the new behavior will persist for more than six months is very small. Weight-loss programs illustrate the challenge of producing lasting change. Most people who start a diet never reach their target weight and less than five percent of those who do will maintain their target six months later. The percent of people who quit smoking and are still smoke-free six months later is less than half even when they suffer a serious health problem and are told that their quality of life depends on avoiding tobacco. Therefore, we should not be surprised to learn that change interventions in organizations often fail to produce lasting change.

Gene Dalton has developed a model that explains what has to occur during the unfreezing, change, and refreezing processes in order to ensure lasting change. He argues that change will not occur unless there is sufficient pain and tension to motivate it. Unless people have a felt need for change they will continue to display the same behavior. Change also needs to be supported by a credible source. Those who initiate change in organizations must be perceived as trusted and respected facilitators. Two precursors to

change, then, are a felt need for change and support for it by significant others. To ensure that the change persists, Dalton's model identifies four sub-processes that involve movement away from one state to movement toward an opposite state.⁹

- 1 *Generalized goals* Æ *Specific objectives*. During the change process, people need to move from general goals and intentions to specific objectives and measurable targets. For a change strategy to be successful and produce lasting change, people need to know exactly what they need to do differently and what is expected of them. To the extent that their goals are only general and nonspecific, or to the extent that there is uncertainty in how they should behave or think, the change will not persist.
- 2 *Former Social Ties* Æ *New Relationships*. The most lasting change efforts involve moving people into different social settings with new members. It is doubtful that people who remain with their former social ties, where their behavior patterns were built around their previous associations, will ever create new and lasting behavior patterns. Lasting change requires new relationships which support the intended changes in behavior and attitudes. This condition is best achieved by associating with a completely new peer group. Achieving lasting change while remaining with the same peer group is unlikely unless there is a significant change in the relationships. New attitudes and behaviors must be accepted and even encouraged by the previous group in order for the change to endure.
- 3 *Self Doubt* Æ *Heightened Self-esteem*. One of the most important conditions for the successful initiation of lasting change is a sense of tension or a felt need for change. Unless people feel a sense of pain and discomfort, they are not motivated to change. This pain and discomfort tends to cause self doubt and a decreased sense of self-esteem. As improvement occurs during the change process, people begin to feel better about themselves and acquire a heightened sense of self-esteem and self-confidence. Thinking that the change was good and feeling greater self-esteem tend to reinforce the change effort and cause it to endure.
- 4 *External Motives for Change* Æ *Internal Motive for Change*. Change efforts that are motivated by external pressures tend to persist only as long as the external pressures persist. Lasting change is more likely when people have good reasons for it (cognitive justifications) that they have internalized as their own. This new belief system can be taught by others, such as an influential change agent, but at some point people need to apply it to their personal lives and verify it through their own experiences.

Three theoretical explanations, based on different underlying motives for behavior, have been proposed to explain why change occurs: education, reinforcement, and peer group influences.¹⁰ These strategies can also be viewed as methods for dealing with resistance to change. Exhibit 19.4 summarizes the times when each method is most effective and the advantages and disadvantages of each method.

Exhibit 19.4 Methods for Overcoming Resistance to Change			
Method of Change	When it Should Be Used	Advantages	Disadvantages
1. <i>Education and Communication:</i>			

Explain the need for change, what will happen, and how it will affect each person. Help them see the logic and rationale for change.	When there is a lack of information or when the situation is novel or uncertain. It should normally accompany other change methods.	Highly effective in ambiguous situations. It provides cognitive support for other change methods. Once persuaded, people help to implement the change.	New information seldom motivates a change in behavior. Providing new knowledge or rational justifications can also be very time consuming.
2. Reinforcement:			
a. <i>Incentives</i> : Offer additional incentives for compliance and negotiate agreement.	When the incentives are highly valued but not too costly; and when it is important for the employees to perceive a fair exchange.	A fair exchange helps to preserve dignity and equity. It can be a relatively easy way to avoid resistance.	It can be very costly and the costs may escalate in future encounters.
b. <i>Coercion</i> : Force employees to change by using threats, such as pay cuts, job loss, or undesirable assignments.	When speed is essential and management has sufficient power to enforce the threats.	It takes little time and allows the company to begin rebuilding faster.	If it makes people angry, they may retaliate or leave.
3. Peer Group Influence:			
Allow groups of people to participate in the change process by discussing issues, recommending creative ideas, and implementing the change.	When management needs the insight or cooperation of members. When group norms impede the group. When people are contemplating changes in their attitudes or values.	People who participate in change are more prepared to implement it and more committed to its success. Group influence is a powerful impetus for personal change.	Can be very time consuming, and it is possible the group may decide to oppose the change.

Education and Communication. Many change efforts are based on the assumption that new information creates change. People are expected to behave differently after they acquire new attitudes, insights, or self-awareness. This theory of change has been called a *rational empirical* change strategy, because it assumes that people are rational and will follow their self-interest once this is identified for them.¹¹

Because we assume people are rational and motivated by self-interest, it is reasonable to assume they will adopt a proposed change if it can be rationally justified and if it can be shown they will gain by the change. For example, salesclerks would be expected to lock their lockers after they are told that their personal items may be stolen, and they would be expected to be less "pushy" after they discover that customers are offended by their behavior.

New information is not always effective in changing behavior, however. The relationship between attitudes and behaviors is usually extremely weak. Changing a person's attitudes will not necessarily change the person's behavior. The effectiveness of empirical evidence or new information in changing behavior depends largely on whether there was a lack of information to begin with. New information is a powerful force for change in ambiguous situations. For example, new employee orientations are particularly effective in changing the behavior of new employees, because they wouldn't have known how to behave otherwise. However, new information is not an effective impetus for change when people already know the correct way of behaving but fail to conform. For example, employees already know that absenteeism and sloppy work are wrong, and training programs discussing attendance and careful work will do little to create new knowledge. Likewise, many people continue to smoke in spite of frequent warnings and mounting evidence showing the health hazards of tobacco use. Information alone is often not adequate to change behavior.

Reinforcement. Another explanation for change is that people do what they are reinforced for doing. This method has been called a *power coercive* change strategy because it involves the application of power in which people with less power are forced to comply with the plans, directions, and leadership of those with greater power.¹² People tend to change quite quickly when there are sufficient incentives to reward change or punishments if they resist change. The reinforcement may be overt, such as bribes, payoffs, and bonuses, or subtle, such as social approval, self-esteem, and peer group pressure.

People can be forced to accept change under implicit or explicit threats, such as job loss, pay cuts, demotions, or undesirable transfers. Coercion can be effective when speed is essential and the change agents have considerable power. But it is not highly recommended, because it can be risky if it makes people angry and people tend to be uncooperative if they feel abused or ignored. A lack of cooperation may lead to periodic sabotage and prevent even good ideas from succeeding.

As explanations for change, new learning and reinforcement are similar to the concepts of information dependence and effect dependence. Change seems to occur when people are provided with new information justifying the change, or when there are specific reinforcers supporting the change.

Peer Group Influence. Another theory of change recognizes the influence of social norms, especially at the level of the group. This method of change has been called a *normative re-educative* change strategy, because it is based on the assumption that change occurs as people learn new normative orientations that result in new attitudes, values, and interpersonal relationships.¹³

Peer pressure is perhaps the most subtle and powerful impetus for change and partially explains why group discussions are one of the most frequently used change methods in organizational development. The effectiveness of peer group discussions in changing behavior was identified in some of the early group dynamics research.¹⁴

The advantages of peer group discussions on overcoming resistance to change was demonstrated in a classic study in a garment factory. When job changes had to be introduced, a control group received the conventional explanation, which simply told them their jobs had to be changed. A second group received an elaborate explanation of the need for change and then selected representatives from the group to help make the change. Two other experimental groups also received a careful explanation of the need for change and then participated as a total group in redesigning the new jobs. After the changes were implemented, the control group showed hardly any improvement over its earlier efficiency ratings, and the hostility of this group toward management resulted in a 17 percent turnover within the first forty days.

The group that selected representatives demonstrated quick relearning and was able to reach standard performance within fourteen days, as well as continued improvement thereafter. The two groups that were allowed total participation showed the greatest performance improvement and the highest levels of morale. Only in the control group did any of the employees quit.¹⁵

Four reasons have been proposed to explain why group discussions are so effective in changing the attitudes and behavior of their members.

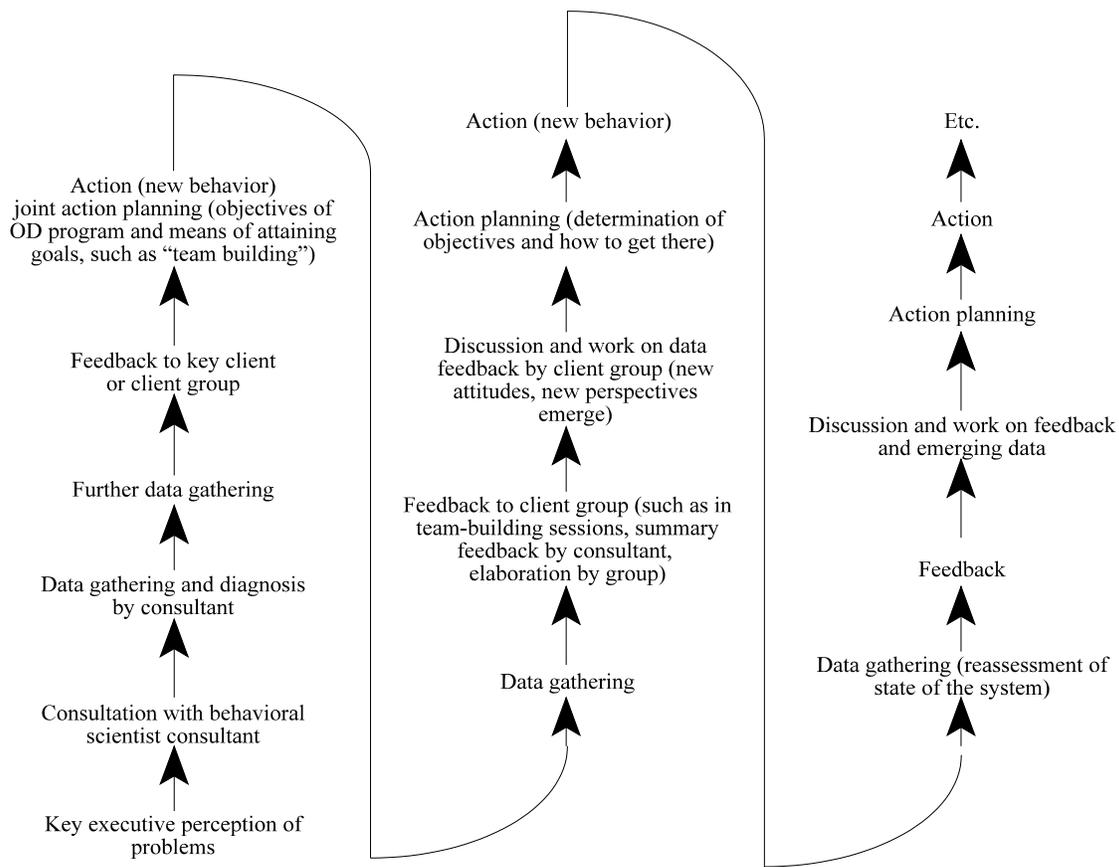
1. People who are contemplating a change in their attitudes or behavior are reinforced by seeing other group members make the same change.
2. The group discussion forces members to come to a decision point. Rather than just passively considering the issue, they are required to decide whether they accept or reject the change.
3. As they talk about the change and arrive at a group consensus, members are forced to make a public commitment to change their behavior. If they fail to follow through after the group discussion, there is a sense of dishonesty and loss of self-esteem.
4. Some aspect of the decision making process itself helps people accept the change, such as the risky-shift phenomenon or the process of emotional catharsis.

Action Research Model

A useful model describing the basic approach of most organizational change activities is the *action research model*.¹⁶ This model is consistent with the scientific method of inquiry and its reliance on data gathering and analysis to solve problems. This model has also been called the *action learning model* to emphasize the collective involvement of members to discover and adopt new behaviors.¹⁷ Exhibit 19.5 illustrates the six basic steps in this model: data gathering, feedback of the data to the target group, data discussion and diagnosis, action planning, action, and recycling. Each of these six processes is important to successful change efforts.

Data Gathering. When evidence of a problem exists and is serious enough to merit attention, the first step is to gather information about the problem. Data may be collected about the causes of the problem and its seriousness from a variety of sources including interviews, observations, questionnaire surveys, and archival data. Each method contains advantages and disadvantages and successful change agents develop the ability to use all four methods rather than rely solely on one or two.

Exhibit 19.5 An Action Research Model for Organizational Development



Source: Wendell French, "Organizational Development Objectives, Assumptions, and Strategies," *California Management Review*, vol. 12 (1969), p. 26. By permission of the Regents.

Feedback of Data to Target Group. After the data have been collected and summarized, they are presented to the *target of change*. The target group encompasses those involved in the problem, which could be an individual, a group, or the total organization. The data are not simply reported to top management and kept locked in confidential files. The data should be open to anyone for whom it is relevant. Information about group conflicts should be shared with the group; information about the total organization should be open to the entire organization, but not criticisms about a particular supervisor.

Data Discussion and Diagnosis. The data should be used to identify and diagnose organizational problems. A careful analysis is needed to identify the real problems rather than just surface symptoms. This analysis generally involves a group discussion by the target group. To reduce the likelihood of misinterpreting the data, the group should explore alternative causes of the problem.

The diagnosis may focus on either a specific problem or a general issue. Insufficient supplies, incorrect reports, and scheduling problems are examples of specific problems that need to be resolved. Declining sales, high turnover, and low morale are indications of a general problem that requires a more careful diagnosis.

Action Planning. After the cause of the problem has been identified, the target group should develop an action plan to solve the problem. The action plan may involve more than just the target group because corresponding changes in other parts of the organization may be necessary to avoid dysfunctional consequences. A variety of change strategies that are described later in the chapter are typically used in the action-planning process.

Action. After the change has been carefully planned, it is implemented. Some OD interventions are very narrow and shallow, others are broad and deep. The change may involve something as simple as having supervisors complete a new form or as complex as restructuring the entire organization or revising the compensation system.

Recycling. Organizational development is not a one-shot event; it is an iterative process. After the change has been implemented, the situation is reassessed to see if the original problem has been eliminated and if new problems have appeared. This iterative process involves recycling through the previous steps as shown in Exhibit 19.5. Each recycling is in essence an evaluation of the previous cycle.

Re-energizing the Mature Organization

Organizations evolve through a life-cycle, and each evolving stage is characterized by a dominant issue and a specific change challenge that must be faced before it advances to the next stage.

Organizations begin with the *entrepreneurial stage*, which focuses on identifying and developing new products. During this life cycle stage, the organization revolves around the creative efforts of an entrepreneur and the dominant issue consists of learning how to establish a market niche.¹⁸

The change challenge that moves the organization to stage 2, the *collectivity* or *growth* stage, is the need for leadership. Directing an organization through a growth period requires managerial direction and control. The dominant issue at stage 2 is how to delegate responsibilities and provide clear direction so that the collective efforts of many people will combine effectively to produce the desired product or services.

The change challenge that moves an organization to stage 3, the *formalization* or *maturity* stage, is the need for delegation and control. The establishment of formal procedures contributes to predictable, patterned activities. As responsibilities are delegated, internal control systems are required to integrate diverse activities and the dominant issue focuses on selecting the most appropriate control systems.

The change challenge that organizations face as they move to stage 4, the *elaboration* stage, is the need to control bureaucratic inefficiencies. As organizations enter the elaboration stage, they usually begin to decline as a result of excessive bureaucratic procedures: unnecessary reports, useless meetings, needless approvals, and meaningless activity measures. At this stage, organizations will continue to decline unless they can be revitalized.

It is very unlikely that a mature organization can maintain its size and market domination for an extended period without some form of revitalization. Even large and once-powerful organizations, such as GM, GE, and IBM, have found they cannot continue to produce the same products with the same technology and the same organizational structure year after year. The process of revitalizing mature organizations, occurs in five stages: restructuring, bureaucracy "bashing," employee empowerment, continuous improvement, and cultural change.¹⁹

Restructuring. The first stage of renewal generally begins with a significant restructuring effort focused on downsizing or delayering the organization. Complacent organizations usually have more employees than they need. The leadership challenge at this stage is knowing which positions to eliminate and having the courage to make difficult but fair termination procedures.

Bureaucracy “Bashing.” The next step is to remove bureaucratic inefficiencies, such as unnecessary reports, approvals, meetings, policies, and other activities that waste effort or impede productive work. Reducing bureaucratic inefficiencies involves getting rid of work that fails to add value to customers. Unless they are essential for coordinating work, activity reports and productivity measures result in wasted time preparing them and wasted time reading them.

Employee Empowerment. Employees should be free to identify better work procedures and implement them. Self-directed work teams, employee involvement activities, and job redesign help to remove barriers between people and give them the authority to act. In a bureaucracy, only the top managers are empowered. By reducing bureaucratic inefficiencies, all employees are empowered to suggest process improvements and new product ideas. Empowerment allows the organization to benefit from the creativity and ingenuity of employees.

Continuous Improvements. After the organization is restructured, bureaucratic inefficiencies are eliminated, and employees are empowered, renewal efforts should focus on achieving continuous improvements in the value chain. These improvements could involve better relationships with upstream suppliers or downstream customers in the value chain. Barriers between suppliers and customers should become more permeable, allowing for a smoother flow of products and information. Problems are identified, complexities are simplified, and delays are eliminated to improve the quality of the product or service.

Cultural Change. The final renewal stage, cultural change, is a consequence of the previous stages if they have been successful. Employees will not think of themselves as part of a mature organization, but they will feel an enthusiasm for trying new approaches and looking for better ways to serve customers. How they think about their work and the company will form a new mind-set that amounts to a fundamental cultural change. With an involved and committed workforce, the organization will achieve a sustained competitive advantage in its industry.

Discussion Questions

- 1 Describe the major theories of change. What is your theory about how you get groups or organizations to change? Describe the action research model, and illustrate how you would use it to resolve a problem in a student dormitory.
- 2 Explain the processes that are involved in producing lasting change. Use an example from your own life that may or may not have been a successful change effort to illustrate these processes.

- 3 If organizations are collections of people, why can't you change an organization by simply changing each individual? Explain why most change efforts involve groups, and explain the benefits of using groups in change strategies. Describe a change effort that has involved a group in which you were a member.

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