inc.com

Managing Organizational Change - Encyclopedia - Business Terms

8-10 minutes

Related Terms: Organizational Growth

Organizational change occurs when a company makes a transition from its current state to some desired future state. Managing organizational change is the process of planning and implementing change in organizations in such a way as to minimize employee resistance and cost to the organization while simultaneously maximizing the effectiveness of the change effort.

Today's business environment requires companies to undergo changes almost constantly if they are to remain competitive. Factors such as globalization of markets and rapidly evolving technology force businesses to respond in order to survive. Such changes may be relatively minor—as in the case of installing a new software program—or quite major—as in the case of refocusing an overall marketing strategy, fighting off a hostile takeover, or transforming a company in the face of persistent foreign competition.

Organizational change initiatives often arise out of problems faced by a company. In some cases, however, companies change under the impetus of enlightened leaders who first recognize and then exploit new potentials dormant in the organization or its circumstances. Some observers, more soberly, label this a "performance gap" which able management is inspired to close.

But organizational change is also resisted and—in the opinion of its promoters—fails. The failure may be due to the manner in which change has been visualized, announced, and implemented or because internal resistance to it builds. Employees, in other words, sabotage those changes they view as antithetical to their own interests.

AREAS OF ORGANIZATIONAL CHANGE

Students of organizational change identify areas of change in order to analyze them. Daniel Wischnevsky and Fariborz Daman, for example, writing in *Journal of Managerial Issues*, single out strategy, structure, and organizational power. Others add technology or the corporate population ("people"). All of these areas, of course, are related; companies often must institute changes in all areas when they attempt to make changes in one. The first area, strategic change, can take place on a large scale—for example, when a company shifts its resources to enter a new line of business—or on a small scale—for example, when a company makes productivity improvements in order to reduce costs. There are three basic stages for a company making a strategic change: 1) realizing that the current strategy is no longer suitable for the company's situation; 2) establishing a vision for the company's future direction; and 3) implementing the change and setting up new systems to support it.

Technological changes are often introduced as components of larger strategic changes, although they sometimes take place on their own. An important aspect of changing technology is determining who in the organization will be threatened by the change. To be successful, a technology change must be incorporated into the company's overall systems, and a management structure must be created to support it. Structural changes can also occur due to strategic changes—as in the case where a company decides to acquire another business and must integrate it—as well as due to operational changes or changes in managerial style. For example, a company that wished to implement more participative decision making might need to change its hierarchical structure.

People changes can become necessary due to other changes, or sometimes companies simply seek to change workers' attitudes and behaviors in order to increase their effectiveness or to stimulate individual or team creative-ness. Almost always people changes are the most difficult and important part of the overall change process. The science of organization development was created to deal with changing people on the job through techniques such as education and training, team building, and career planning.

RESISTANCE TO CHANGE

A manager trying to implement a change, no matter how small, should expect to encounter some resistance from within the organization. Resistance to change is normal; people cling to habits and to the status quo. To be sure, managerial actions can minimize or arouse resistance. People must be motivated to shake off old habits. This must take place in stages rather than abruptly so that "managed change" takes on the character of "natural change." In addition to normal inertia, organization change introduces anxieties about the future. If the future after the change comes to be perceived positively, resistance will be less.

Education and communication are therefore key ingredients in minimizing negative reactions. Employees can be informed about both the nature of the change and the logic behind it before it takes place through reports, memos, group presentations, or individual discussions. Another important component of overcoming resistance is inviting employee participation and involvement in both the design and implementation phases of the change effort. Organized forms of facilitation and support can be deployed. Managers can ensure that employees will have the resources to bring the change about; managers can make themselves available to provide explanations and to minimize stress arising in many scores of situations.

Some companies manage to overcome resistance to change through negotiation and rewards. They offer employees concrete incentives to ensure their cooperation. Other companies resort to manipulation, or using subtle tactics such as giving a resistance leader a prominent position in the change effort. A final option is coercion, which involves punishing people who resist or using force to ensure their cooperation. Although this method can be useful when speed is of the essence, it can have lingering negative effects on the company. Of course, no method is appropriate to every situation, and a number of different methods may be combined as needed.

TECHNIQUES FOR MANAGING CHANGE EFFECTIVELY

Managing change effectively requires moving the organization from its current state to a future desired state at minimal cost to the organization. Key steps in that process are:

1. Understanding the current state of the organization. This involves identifying problems the company faces, assigning a level of importance to each one, and assessing the kinds of changes needed to solve the problems.
2. Competently envisioning and laying out the desired future state of the organization. This involves picturing the ideal situation for the company after the change is implemented, conveying this vision clearly to everyone involved in the change effort, and designing a means of transition to the new state. An important part of the transition should be maintaining some sort of stability; some things—such as the company's overall mission or key personnel—should remain constant in the midst of turmoil to help reduce people's anxiety.
3. Implementing the change in an orderly manner. This involves managing the transition effectively. It might be helpful to draw up a plan, allocate resources, and appoint a key person to take charge of the change process. The company's leaders should try to generate enthusiasm for the change by sharing their goals and vision and acting as role models. In some cases, it may be useful to try for small victories first in order to pave the way for later successes.

Change is natural, of course. Proactive management of change to optimize future adaptability is invariably a more creative way of dealing with the dynamisms of industrial transformation than letting them happen willy-nilly. That process will succeed better with the help of the the company's human resources than without.

BIBLIOGRAPHY

Gilley, Ann. *The Manager as Change Leader*. Praeger, 2005.

"The Industry Isn't Changing. It Has Changed!" *Beef*. 13 March 2006.

Lawler III, Edward E. and Christopher G. Worley. "Winning Support for Organizational Change: Designing employee reward system that keep on working." *Ivey Business Journal Online*. March-April 2006.

Murray, Art and Kent Greenes. "The Enterprise of the Future." *KMWorld*. March 2006.

Schneider, Dan. "It's a Leader's Duty to Manage Change." *Business Record (Des Moines)*. 20 February 2006.

Schraeder, Mike, Paul M. Swamidass, and Rodger Morrison. "Employee Involvement, Attitudes and Reactions to Technology Changes." *Journal of Leadership & Organizational Studies*. Spring 2006.

Wallington, Patricia M. "Making Change." *CIO*. 1 April 2000.

Wischenvsky, J. Daniel and Fariborz Damanpour. "Organizational Transformation and Performance: An examination of three perspectives." *Journal of Managerial Issues*. Spring 2006.