

Objectives

This unit will help you to understand:

- The meaning of organizational change
- The forces influencing organizational change
- The various stages in organizational change process
- The reasons that lead to resistance to change
- The measures to overcome resistance to change
- The concept and sources of innovation
- The characteristics of a learning organization
- Meaning of work stress and stress management.

Introduction

Modern organizations function in an ever changing environment. Technological innovations, lifting of trade barriers and increased competition have made it necessary for companies to be highly flexible and adaptable to changing conditions. Organizational change is a discipline that helps organizations in coping with the changes in the global business environment and acting in accordance with the changes.

Forces of Change

Change as defined by Curtis W. Cook, Philip L. Hunsaker, and Robert E. Coffey, in the context of business is, "The coping process of moving from the present state to the desired state that individuals, groups, and organizations undertake in response to dynamic internal and external factors."

Some of the factors that might cause organizational change are people, technology, information processing and communication and competition.

People

One of the major driving forces in initiating change in organizations is diversity in human resources. Therefore, the management of an organization is required to modify its HR policies to accommodate the differences in attitudes, expectations, personalities, perceptions, etc. of the people working together in an organization. Further, the expectations of customers from organizations are also a major driving force in bringing about organizational change. Companies have therefore, to constantly upgrade their business policies and practices to meet the requirements of the ever changing needs of the customers.

Technology

Technological advancements are changing the way industries are functioning. Ignorance of a new technology or failure to adapt to technological advancements can have serious repercussions on the health of an organization. Since technological changes take place rapidly, the pace at which organizations adapt and incorporate these changes also plays a vital role in determining their success. Therefore, technology plays a crucial role in initiating changes in organizations.

Information Processing and Communication

The field of information processing and communication too is experiencing rapid changes along with the continuous improvements and innovations in technology. Technological innovations such as improved versions of computers, the Internet, and other data transmission devices are not only helping employees to work from any corner of the world, they are also assisting them in transmitting the data to the desired destinations. As a result, employees can work at any place and yet make the data available to the organization on time. Thus, the improvement in

information processing and communication has introduced the concept of 'virtual organizations.'

Competition

Globalization is changing the ways companies are functioning in today's business environment. Competition among the companies has intensified, as companies operate in a global marketing environment. For instance, Indian companies are facing stiff competition from MNCs. Similarly, MNCs also are facing stiff competition from emerging global companies of developing countries. Since organizations are no longer restricted by boundaries they are required to change themselves according to the environment in which they are operating.

Managing Planned Change

Organizational change may be unplanned or deliberate. When change in the present state of affairs occurs without the involvement or deliberate efforts of the management, then it is known as unplanned change. Planned change may take place in organizations to enhance the ability of organizations to adapt themselves to the change in the external environment, or to change the behavior of the employees with a view to improving organizational performance. Based on magnitude, planned change can be divided into two types. They are first-order change and second-order change.

First-Order Change

First-order change is also known as incremental change. In this type of change, organizations only make some minor modifications to the already existing structure.

Second-Order Change

Second-order change is also known as fundamental or quantum change. In this type of change, organizations transform themselves radically and the new structure bears no resemblance to the old one. In other words, fundamental changes are revolutionary in nature wherein the present state of affairs is completely restructured. Individuals who facilitate organizational change are known as change agents. Change agents are responsible for managing change in organizations. They can be managers, non-managers, or outside consultants.

The Change Process

The process of organizational change goes through various stages. These stages must follow a certain sequence as described here:

Problem Recognition

In the first stage of the change process, an organization identifies a problem that might be negatively affecting its productivity and which needs to be rectified. It might adopt 'gap analysis' for recognizing the problem. Gap analysis helps the organization to highlight the gap between the current state of affairs and the desired state of the organization.

Identifying the Cause of Problems

In the next stage of the change process, the management recognizes the source of the problem identified in the previous stage. The organization may follow various techniques and methods to identify the reasons for the existence of the problem.

Implementing the Change

After analyzing the problem and understanding its root cause, the organization designs a change plan that aims to improve the present situation and solve the problem. Organizational change is often resisted by the employees. Organizations must therefore formulate a plan in such a way that is accepted by the employees. The change plan may be drafted by external or internal change agents. However, in case of external change agents, the organizations must provide them with sufficient data and time while planning the change. This way, the external change agents can formulate a plan that best suits the requirements of the organization and its people.

Generating Motivation for Change

Most change programs fail because they do not involve employees in the change process. Hence, the success of a change plan is largely dependent on the management's ability to motivate the employees to work toward the execution of the plan.

Managing the Transition State

While implementing change, employees often face difficulties in adapting to the new policies and procedures. Hence, it is important that the management handles this transition period appropriately. The organization may appoint a person (for example, a transition manager) who monitors the entire change process and co-ordinates the change efforts of various departments.

Supporting the Change

In fact, the success of the change process depends largely on the support of the employees. It is therefore essential that the management gets the support of the employees before implementing the change plan. This may be done by negotiating with the employees of the organization or gaining the confidence of a person who is capable of exerting an influence over the employees.

Evaluating the Change

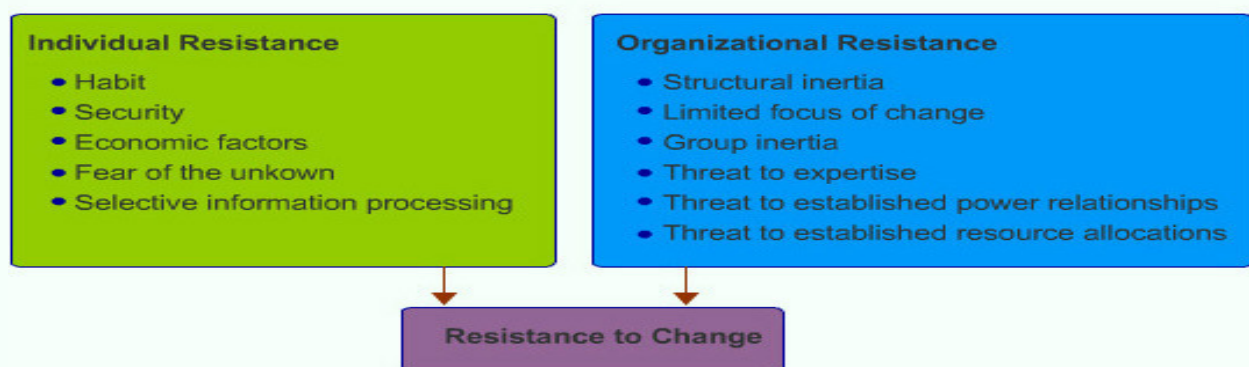
Evaluating the changes implemented in the organization is the final stage in the change process. In this stage, the organization looks for any discrepancies between the desired change and the achieved outcome of the change process. In case there is a gap between the two, then the organization has to repeat the entire process of change. This is a very tedious and expensive process. Hence, organizations should identify the problem in the change process in its early stages.

Resistance to Change

Resistance to change goes hand-in-hand with change activities. Often resistance to change is viewed as dysfunctional and it has a negative influence on the change process. However, recent studies have shown that resistance to change can also have a positive influence on the change process. Open discussions between employees and management regarding the change process might be helpful in sorting out their individual differences. In addition, these discussions might also bring to notice some interesting points that could contribute constructively to the process of change.

However, the fact that resistance to change can also prove harmful to the progress of the organization must not be ignored. Resistance to change may be explicit (overt) or implicit (covert), immediate or deferred. Organizations can face resistance from various sources. The sources of resistance can be classified into individual and organizational sources (Refer Figure 21.1):

Figure 21.1: Sources of Resistance to Change



Individual Source of Resistance

Individual sources of resistance to change can be classified as follows:

Habit

When change is implemented, it may require the employees to forego some of their habits in order to adapt themselves to the change. This, in turn, might cause resistance to change in the employee.

Security

People are generally concerned about their security and resist any change that threatens their safety and security.

Economic Factors

Employees are likely to resist change if it is likely to decrease their income or source of earnings.

Fear of the Unknown

People associate change with uncertainty. They fear the unknown and the insecurity resulting from it.

Selective Information Processing

Individuals process information selectively to make it compatible with their perceptions. They also like to hear and assimilate only information which they think is favorable to their existence. This might also cause resistance from employees as they might refuse to understand the positive consequences of the change process.

Social Factors

When employees foresee a threat to their present or future organizational position consequent to the changes in the hierarchy, then they might resist the change process.

Organizational Resistance

Organizations too might resist the change process. Organizational resistance can be in the form of structural inertia, limited focus of change, group inertia, threat to expertise, threat to established power relationships, and threat to established resource allocations.

Structural inertia

Organizations always attempt to maintain a steady and balanced state that is conducive to employees. They have inbuilt mechanisms to achieve that state of equilibrium. When a change program is initiated in the organization the structural inertia created by the inbuilt mechanisms offers strong resistance.

Limited focus of change

Since the organization consists of various interrelated and interdependent sub systems, a change in one sub system affects the other sub systems as well. Therefore, a change program must take into consideration all the aspects that might affect the organization as a whole.

Group inertia

Sometimes, group norms also prevent an individual from adopting change.

Threat to expertise

Specialized groups might feel a threat to their expertise by changes in the organization.

Threat to established power relationships

Managers and supervisors might anticipate a threat to their established power and authority, consequent to the changes in the organizational structure.

Threat to established resource allocations

Individuals who control a significant amount of resources in the organization would generally consider any change as a threat to their control over such resources.

Overcoming Resistance to Change

Organizations can adopt several measures to overcome employees' resistance to change.

- The management should educate the employees regarding the necessity and also the benefits of implementing an organizational change. This requires that the managers effectively communicate with the

employees and clarify any doubts and misunderstandings in their minds.

- The management must foster an environment that encourages employee participation in the change process.
- The management must provide support to the employees in getting over their fears and anxieties about the change process.
- When the management foresees a threat to the implementation of the change process because of resistance from powerful individuals or groups, it must negotiate with such parties to bring about a favorable outcome.
- Change agents may also resort to manipulation to avoid or subdue resistance to change by the employees.
- Organizations might also resort to coercive measures and employ threat or force to overcome the resistance to change.

Lewin's Three-Step Model

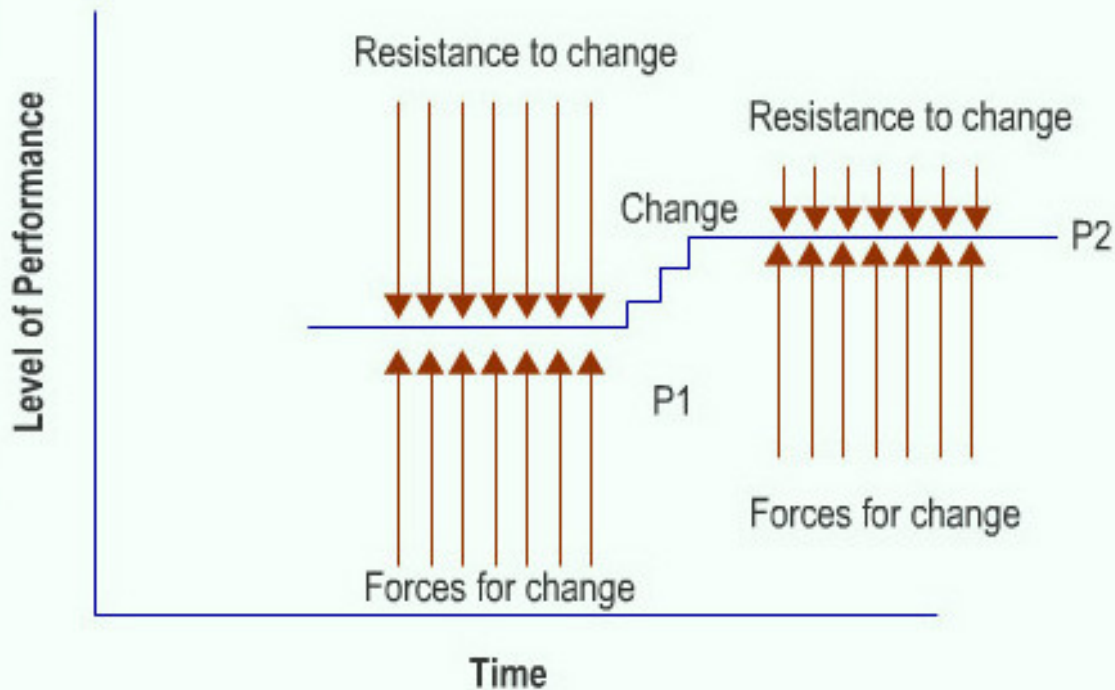
According to Kurt Lewin, organizations should follow the following three steps (Refer Figure 21.2) to introduce permanent change:

Unfreeze: In this step, the management of an organization educates the employees about the factors that necessitate change and also about the benefits they would reap once the change process is completed.

Movement to Change: Once the organization gains the confidence of the employees regarding the imminent change, the actual process of change can be initiated. This stage involves implementing the change.

Refreeze: The third step involves reinforcing change so that the organization does not revert to the old state of things.

Figure 21.2: Lewin's Three Step Model



Innovation

Innovation involves introduction and application of new ideas and practices that give useful results. According to Moorhead and Griffin, "Innovation is the process of creating and doing new things that are introduced into the market as products, processes, or services." Innovation in organizations can take place in aspects such as research and development, marketing, and other business strategies, HR policies, the manufacturing process, the recruitment process, and other processes.

Sources of Innovation

Structural variables

Organizational structure has a major impact on the innovation process. For instance, bureaucratic organizations have rigid compartmentalized structures and there is also minimal interaction between the members of the organization. Therefore, it is difficult to implement innovation in such organizations. Apart from the organizational hierarchy, features such as tenure of personnel, scarcity of resources in the organization, and communication channels also influence innovation.

Organizational culture

In innovative organizations, the vision, mission, and strategies of the organization are clearly communicated to the employees. The organizational culture fosters an environment that inspires and encourages people to be innovative and experiment with new ideas. The management does not compel the employees to follow traditional methods to accomplish the targets.

Management support

The management in innovative organizations trains and develops its employees in such a way that they turn into idea champions. Idea champions are those people who enthusiastically promote the ideas they have newly developed, organize support for their ideas within the organization, overcome resistance if any and make sure that the organization implements their ideas or innovations.

According to Peter F. Drucker, the following situations can be considered as sources of opportunity for innovative organizations:

- Change in awareness due to acquisition of new knowledge
- Change in the perception of people
- Demographic changes
- Rapid changes in industry and market structure
- Imperfect processes
- Incongruity between reality and expectation
- Unexpected happenings.

The Learning Organization

According to Stephen Robbins, "A learning organization is an organization that has developed the continuous capacity to adapt to change." "Learning Organization" is the generic term given to strategies and initiatives for improving organizational effectiveness.

Learning in organizations takes place in two ways:

Single-loop learning: The organization diagnoses and solves a problem. Later, the organization adds this knowledge to the already existing knowledge base. The management makes no attempt to change the existing organizational norms and policies.

Double-loop learning: In this method, individuals seek to solve the problem in a way that is significantly different from the one followed in the organization. They challenge the norms and assumptions used in the organization. Double-loop learning may call for modifications in the organizational hierarchy, policies, procedures, etc.

Learning in organizations addresses the following issues:

- Excessive specialization and separation of departments by function
- Unhealthy competition between managers
- Emphasis on problem solving rather than preventive actions

Managing learning

Organizational learning can be managed effectively by taking the following steps:

Commitment to change and innovation: The management should clearly communicate to its employees its commitment to change in the organization. It should constantly encourage innovation and continuous improvement in the structure and processes of organization.

Change the Organization's Structure: When the organizational structure proves to be a hindrance to the learning process, the management must modify the structure in order to ensure the smooth flow of the learning process. For instance, a traditional organization comprises too many hierarchical levels, which erect barriers to effective learning in the organization. Therefore, such an organization must merge and reduce the hierarchical levels.

Change the Organizational Culture: The organizational culture should be such that it rewards the employees who take risks and propose innovative ideas.

Work Stress and Stress Management

According to TA Beehr and JE Newman, job stress is "a condition arising from the interaction of people and their jobs and characterized by changes within people that force them to deviate from their normal functioning."

The Causes of Stress

The following are the various causes of work stress found in individuals:

Extra organizational stressors

Employees of organizations are affected by extra organizational stressors like social and technological changes, family problems, relocation to new place, economic and financial conditions, race, class, residential and community conditions, etc. For instance, employees might find it difficult to concentrate on their work and meet the deadline, if they are facing family problems or crises.

Organizational stressors

According to Fred Luthans, administrative policies and strategies, organizational structure and design, organizational processes and working conditions act as macro-level organizational stressors. Other organizational behaviorists like Curtis W. Cook, Philip L. Hunsaker, and Robert E. Coffey suggest the following organizational stressors:

- High-stress jobs
- Dissatisfaction regarding job role
- Poor working conditions
- Organizational politics
- Poor work relationships

Individual stressors

The influence of individual stressors differs from person to person, since no two individuals undergo the same perceptual process. A person may be affected by the following individual stressors:

Role conflict and ambiguity: Role conflicts and ambiguity occur when employees do not have the required information and knowledge regarding their job. This in turn affects their performance and causes work stress.

Type A characteristics: Meyer Friedman and Ray Rosenman first categorized individuals into two profiles based on their personality characteristics. These are known as Type A and Type B personalities. The Type A individual is very competitive, highly involved in his work, aggressive, motivated, ambitious and very conscious of time. Type B personalities have a relaxed and balanced approach to work and life. They are not very competitive and show lesser dedication towards their work as compared to Type A individuals. It has been observed that those with Type A characteristics are more prone to high levels of stress because they tend to have heavy work loads, put in long hours of work, and are under constant pressures to meet the deadlines.

Locus of control: It is believed that individuals who believe that they do not have control over their job and work environment are prone to higher stress levels than those who believe that they have a control over their work and work environment.

Learned helplessness: Sometimes individuals learn to accept certain stressors as a part of their work life, and believe that nothing they do can alter these stressors.

Self-efficacy: People with high self-efficacy believe that they are capable of coping with any situation. Such individuals are less prone to work stress than people with low self-efficacy.

Psychological hardiness refers to a person's ability to cope with stress. Therefore, people with high levels of psychological hardiness are capable of withstanding tremendous amounts of stress.

Strategies to Cope with Stress

Although it is not possible to eliminate stress completely from everyday life, it is possible to manage it in a productive and satisfactory manner. Strategies to cope with stress can be of two types. They are problem-focused or emotion-focused. In problem-focused strategy, an individual identifies the source of the stress and makes attempts to reduce the stress. In an emotion-focused strategy, an individual attempts to control his/her emotions so that emotions are not negatively affected by the stress.

The following are the individual and organizational strategies to cope with stress:

Individual Strategies to Cope with Stress

Problem-focused strategies

The most commonly used problem-focused strategies are:

- Managing time properly. This helps individuals to complete their tasks and meet deadlines.
- Requesting others to help with work-related problems.
- Shifting to another job if he/she is unable to cope with the work stress in the present job.

Emotion-focused strategies

Some of the emotion-focused strategies to reduce stress are:

- **Relaxation:** Individuals can reduce their tensions by means of certain relaxation techniques like meditation, hypnosis, biofeedback, etc.
- **Exercise:** It has been medically proven that physical exercise such as walking, aerobics, jogging, swimming, cycling, tennis, etc., are very effective in bringing down stress levels.
- **Psychological strategies:** Certain psychological strategies like increased self-awareness and perceptual adaptation are used to control the effect stress has on an individual.
- Recreation also helps people reduce their stress levels.
- **Companionship:** Confiding their anxieties, fears, problems, etc. to a companion helps individuals reduce their stress levels.

Organizational Strategies to Cope with Stress

Problem-focused strategies

Organizations may adopt the following problem-focused strategies to reduce the stress levels in employees:

- Redesigning the job
- Proper selection and placement of employees
- Providing proper training to employees
- Enhancing team building among the employees of the organization
- Providing various day care facilities.

Emotion-focused strategies

Some of the emotion-focused organizational strategies are:

- Promoting open communication within the organization
- Offering employee assistance programs
- Mentoring and assisting employees with regard to performance of their work.
- Offering a wellness program and personal time off.

Summary

- The forces that influence organizational change are people, technology, information processing and communication, and competition.
- Organizational change can be unplanned or deliberate. Planned change can be of two types -- first-order change and second-order change.
- The organizational change process goes through various stages. They are problem recognition, identifying the causes, implementing the change, generating motivation for change, managing the transition state, supporting the change, and evaluating the change.

- Organizational change is often resisted by the employees. The sources of resistance can be classified into individual sources of resistance and organizational resistance. Organizations must follow suitable techniques and measures to overcome employees' resistance to change.
- According to Kurt Lewins (Lewins) organizations must adopt a three-step model to implement the change process. The three steps are unfreeze, movement to change, and refreeze.
- Innovation helps organizations to adopt new ideas and practices that give useful results. Organizations can foster innovation by modifying the structural variables, enhancing the organizational culture, offering support to the employees, etc.
- Organizations aim to constantly upgrade their business practices through learning. Learning can be in the form of adopting strategies and initiatives that improve organizational effectiveness.
- Employees experience work stress while performing their duties and jobs. Stress management is important both for the health of the employee as well as the health of the organization.
- Work stress may be caused by extra organizational stressors, organizational stressors, and individual stressors.
- Although stress cannot be completely eliminated, employees can adopt certain strategies to reduce their stress levels.