CHAPTER 16
MANAGING CHANGE AND CULTURE

Learning Objectives

1. Identify the three major categories of organizational change.

2. List the three steps in Lewin's model for change.

3. Discuss several reasons employees resist change.

4. Identify several prescriptions for reducing resistance to change.

5. Describe an approach that managers can use to lead change.

6. Summarize the four phases of an organizational development (OD) program.

7. Briefly describe four essential principles that organizations must follow to manage innovation.

8. Explain what a learning organization is.

9. Define corporate culture.

10. Describe the generic types of organizational culture.

11. Identify two common sources of organizational subcultures.

Chapter Overview

If there is a truism in the contemporary business world, it is that change will be rapid and constant. Not only is change occurring at an accelerating pace, but it is occurring in areas that were unknown or slighted in the past. Among the most common of the change components are technological change, environmental change, and internal change. Managers seem to pay more attention to the third area than the first two, but this can be a serious mistake.

Most humans prefer stability rather than change. Managers must not only deal with the change itself but employee resistance to change, which dramatically complicates decision-making. However, strides have been made in developing prescriptions to reduce resistance to change, and many of these ideas seem to be working.

In order to understand and act in the change environment, an organization must undertake an organizational development process. The goal of organizational development is to increase organizational performance. The four phases of such a process are described as diagnosis, change planning, intervention/education, and evaluation. The information and feedback generated by such a process are becoming invaluable for the organization as it strives to meet the challenges of the ever changing competitive environment.

All organizations have their own corporate culture. Several generic forms are described along with some ideas of how to change a corporate culture that is no longer functional. One reason that corporate culture

Serving to Promote the Potential Of People & Organizations

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

G | GOATES CONSULTING GROUP

changes is the diversity present in today's workplace. Simply put, the workplace is not what it used to be. According to many experts, the ability to manage a diverse workforce is one of the main skills that the manager of tomorrow must possess.

Lecture Outline

I.   Managing Change
   A.   **Change as a Global Issue**—
      1.   The challenge for a manager to compete globally is actually the challenge to change.
   B.   **Types of Changes**
      1.   Technological changes—changes in such things as new equipment and new processes.
      2.   Environmental changes—all non-technological changes that occur outside the organization.
      3.   Internal changes—budget adjustments, policy changes, personnel changes, etc.
   C.   Changes occurring outside the organization, performance issues and regular self-assessment can cause internal changes.
   D.   Change may be planned or unplanned.
   E.   Managers are better able to control the change process by being proactive.

Key Terms #1, 2, 3; Learning Objective #1; Review Question #1; Figure 16.1

II.   The Change Process
   A.   Force field analysis
      1.   Change is a function of the forces that support or promote the change and those forces that oppose or resist the change.
   B.   Lewin's Three-Step Model for Change
      1.   *Unfreezing*—breaks down the forces supporting or maintaining the old behavior.
      2.   *Presenting new alternatives*—offers a clear and attractive option representing new patterns of behavior.
      3.   *Refreezing*—reinforces the new behavior or change.
   C.   Resistance to Change
      1.   The first reaction of most people is to resist change; resistance may be open or subtle.
      2.   Organizational resistance to change occurs when the organization, as an entity, appears to resist change.
      3.   Reasons for resisting change
         a.   Fear of the unknown—change is feared when the outcome is uncertain and when employees have to work in a changed environment.

16-2

Serving to Promote the Potential Of People & Organizations

GOATES
CONSULTING
GROUP

    b. Economics—employees fear any change they think threatens their job or income.

    c. Fear that skills/expertise will lose value—employees fear losing value in the organization.

    d. Threats to power—employees fear changes that may diminish their power.

    e. Additional work and inconvenience—employees may have to learn and adapt.

    f. Threats to interpersonal relations—change may weaken bonds and disrupt routines.

4. Determining employees' reaction to change

    a. Determine the response needed from the employee to effectively accomplish the task.

    b. Estimate the expected response if the directive is published or orally announced.

    c. Determine the method of reconciliation between the needed and estimated response, if a discrepancy exists between the two.

5. Reducing resistance to change

    a. Build trust in management.

    b. Discuss upcoming changes.

    c. Involve the employees.

    d. Make sure the changes are reasonable.

    e. Avoid threats.

    f. Follow a sensible time schedule.

D. Leading Change

1. Establish a sense of urgency.

2. Create a guiding coalition.

3. Develop a vision and strategy.

4. Communicate the change vision.

5. Empower broad-based action.

6. Generate short-term wins.

7. Consolidate gains and produce more change.

8. Anchor new approaches in the culture.

> Learning Objectives #2, 3, 4; Review Questions #2, 3, 4, 5, 6; Figures 16.2, 16.3, 16.4; Management Illustrations 16.1, 16.2

III.   **Organizational Development** (OD)—an organization-wide, planned effort that is managed from the top to increase organizational performance through planned interventions. The ultimate goal is to structure the organizational environment so that managers and employees can use their skills and abilities to the fullest. The effort starts with a recognition by the management that organizational performance can and should be improved.

Serving to Promote the Potential Of People & Organizations

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

A. Diagnosis—gathering and analyzing information to determine the areas needing improvement
   1. Review available records, such as personnel records and financial reports.
   2. Survey questionnaires filled out by employees to measure attitudes and perceptions.
   3. Personal interviews regarding opinions and perceptions of certain work-related factors.
   4. Direct observation of organizational members at work.
B. Change Planning—developing a plan for improvement based on the data obtained
   1. Look for trends and areas of general agreement
   2. Identify specific problem areas and outline steps for resolving problems.
C. Intervention/Education—share information with those affected to help them realize the need for change
   1. **Direct feedback**—process where the change agent communicates the information gathered through diagnosis directly to the affected people.
   2. **Team building**—process where a work group develops awareness of conditions that keep it from functioning effectively and takes action to eliminate these conditions.
   3. **Sensitivity training**—method used in OD to make one more aware of oneself and one's impact on others. It involves a group usually called the training group or T-group.
D. Evaluation—designed to determine if the OD process produced the desired results
   1. Explicit, measurable objectives must be established at the beginning of the process.
   2. A methodologically sound evaluation effort is required.
   3. Those that implement and evaluate the OD effort might need to belong to a different group.
E. Managing Innovation
   1. Innovation refers to doing new things that inherently involve change.
   2. Innovation may be the best sustainable source of growth, competitive advantage, and new wealth.
   3. Four essential principles of successful innovation:
      a. An organization's approach to innovation must be comprehensive.
      b. Must include systematic, organized, and continual search for new opportunities.
      c. Organizations must involve everyone in the innovation process.
      d. An organization must work constantly on improving its climate for innovation.

Key Terms # 4, 5, 6, 7; Learning Objectives #6, 7; Review Questions #7, 8; Figure 16.5

F. The Learning Organization
   1. An organization skilled at creating, acquiring, and transferring knowledge, and in modifying behavior to reflect the new knowledge.

Serving to Promote the Potential Of People & Organizations

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

G | GOATES
CONSULTING
GROUP

2. **Peter Senge** has identified five principles for creating a learning organization:

   a. **Systems Thinking.** Managers must learning to see the big picture and not concentrate only on their part; they must learn to recognize the effects of one level of learning on another.

   b. **Personal Mastery.** Individual managers and employees must be empowered to experiment, innovate, and explore.

   c. **Mental Models.** Managers and employees should be encouraged to develop mental models as ways of stretching their minds to find new and better ways to doing things.

   d. **Shared Vision.** Managers should develop and communicate a shared vision that can be used as a framework for addressing problems and opportunities.

   e. **Team Learning.** Team learning is the process of aligning a team so as to avoid wasted energy and to get the desired results.

> Learning Objectives #8; Review Question #9; Management Illustration 16.3

IV. Managing Corporate Culture

   A. Culture is a set of important understandings (often unstated) that members of a community share in common.

   B. **Corporate culture** communicates how people in an organization should behave by establishing a value system conveyed through rites, rituals, myths, legends, and actions; "the way we do things around here."

   C. Cultural forms of expression have two basis components:

      1. Substance—meanings contained in its values, norms, and beliefs.

      2. Forms—the practices whereby these meanings are expressed, affirmed, and communicated to members.

   D. How does culture originate?

      1. History—the organization's past; how things have always been done; founder.

      2. Environment—laws, regulations, customers, competitors, etc.

      3. Staffing—organizations tend to hire those who will "fit in" and may need new blood at the same time.

      4. **Entry socialization**—the adaptation process by which new employees are introduced and indoctrinated into the organization.

   E. Strong and weak corporate cultures

      1. Strong corporate culture is clearly defined and reinforces a common understanding about what is important and has the support of management and employees.

      2. In weak corporate cultures, individuals often act in ways that are inconsistent with the company's way of doing things.

   F. Identifying culture is done by examining the following characteristics:

Serving to Promote the Potential Of People & Organizations

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

G | GOATES
CONSULTING
GROUP

1. Individual autonomy—individual responsibility, independence, etc.
2. Structure—number of rules/regulations and amount of direct supervision
3. Support—degree of assistance and warmth provided by managers
4. Identification—degree to which members identify with the organization as a whole
5. Performance-reward—degree to which rewards are based on performance criteria
6. Conflict tolerance—degree of conflict between peers and work groups; willingness to be honest and open about differences
7. Risk tolerance—degree employees are encouraged to be aggressive, innovative, etc.

G. Factors determining types of culture
1. The degree of risk associated with the organization's activities.
2. The speed with which feedback is received, indicating success of decisions.

H. Generic types of organizational cultures
1. **Tough-person, macho culture**—individuals take high risks and get quick feedback on whether their decisions are right or wrong.
2. **Work-hard/play-hard culture**—encourages employees to take few risks and to expect rapid feedback.
3. **Bet-your-company culture**—requires big stakes decisions; considerable time passes before the results are known.
4. **Process culture**—involves low risk with little feedback; employees focus on how things are done rather than on the outcomes.
5. Organizational Subcultures—values, beliefs, and practices vary from one part of the organization to the other.

I. Changing Culture
1. Five reasons that justify a large-scale cultural change:
   a. Organization has strong values that do not fit a changing environment.
   b. Industry is very competitive and fast-moving.
   c. Organization is mediocre or worse.
   d. Organization is about to become very large.
   e. Organization is small but growing rapidly.
2. It is usually possible to strengthen or fine-tune the current situation.
3. It may be easier to physically replace the people rather than change the culture.

Key Terms #8, 9, 10, 11, 12, 13, 14; Learning Objectives #9, 10, 11; Review Questions #10, 11, 12, 13; Figures 16.6, 16.7, 16.8; Management Illustration 16.4

---

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Barriers to Student Understanding

1. The first barrier to understanding that students will experience is that even though they have experienced change, they are unfamiliar with organizational change. The best way to give examples is to ask them if they have ever seen an organization dramatically change (their high school, college, university, church, or a company)? What caused the change? What environmental factors had a bearing on the change? Was the change good or bad? How did they make that judgment? How could the change have been managed better? These questions will help them to see change the way the strategic planner does.

2. The second major barrier stems from students inexperience with corporate culture. The students have probably experienced culture in a work environment but not as a manager. Using the example of a business they have worked for (or their parents), ask them to explain what they perceive the corporate culture to be? Does the culture fit any of the descriptions in the text? Has the culture gone through any changes? Who sets the culture? Were there several layers of culture (such as management, employees, etc.)? What do they think needed changing about the culture? What would it take to have this happen?

Key Terms

1. Technological Changes

2. Environmental Changes

3. Internal Changes

4. Organizational Development (OD)

5. Direct Feedback

6. Team Building

7. Sensitivity Training

8. Culture

9. Corporate Culture

10. Entry Socialization

11. Tough-Person, Macho Culture

12. Work-Hard/Play-Hard Culture

13. Bet-Your-Company Culture

14. Process Culture

Serving to Promote the Potential Of People & Organizations

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

Suggested Answers to Analyzing Management Skills

● Do you believe that most organizations do a good job of preparing their employees for change? What are some specific things that managers can do to better prepare their employees for change?

Managers can help prepare their employees for change by building trust long before the change is necessary, discussing the changes and how they will affect employees, encouraging employee participation in devising and implementing changes, ensuring that changes are reasonable, avoiding making threats, equipping employees to succeed, and following a sensible time table for implementing change.

Suggested Answers to Applying Management Skills

● Pick a specific industry of interest to you. How was this industry affected by the tragic events of September 11, 2001? How has the industry responded to the changes brought about by these events?

Encourage students to select an industry that was affected in a notable way. You might suggest industries like securities, transportation, protective services (public and private), pharmaceuticals, defense, etc.

Answers to Review Questions

l. Name the three major categories of change that apply to organizations

The three major categories or types of change are (a) technological changes, (b) environmental changes, and (c) internal changes.

2. Describe Lewin's model for change.

Kurt Lewin suggested that change forces introduce something different about the organization over time. Resistance forces support the status quo. The sum total of these forces determines the extent to which a change will be successfully implemented. Lewin's Three-Step Model for Change involves three concepts: (a) unfreezing, which breaks down the forces supporting or maintaining the old behavior, (b) presenting new alternatives, which offers a clear and attractive option, and (c) refreezing, which reinforces the new behavior or change.

3. Name six common barriers (reasons for resistance) to change.

Employees resist change for many reasons. Six of the most frequently encountered are (a) fear of the unknown, (b) economics, (c) fear that expertise and skills will lose value, (d) threats to power, (e) additional work and inconvenience, and (f) threats to interpersonal relations.

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

G GOATES CONSULTING GROUP

4. Describe the four basic reactions of employees to change.

    (a) Resistance based on not understanding how change will affect them. (b) Resistance based on the perception that the change does not fit their needs and hopes. (c) Resistance and then resignation based on the inevitability of the change. (d) Acceptance based on the belief that the change is in their best interests.

5. Discuss six approaches for reducing resistance to change.

    Just as there are many reasons why employees resist change, there are also many approaches for reducing resistance to change. Several suggestions for reducing resistance to change include (a) building trust between management and employees; (b) discussing upcoming changes with affected employees; (c) involving employees in the change process as early as possible; (d) making sure the proposed changes are reasonable; (e) avoiding threats; and (f) following a sensible time schedule for implementing the change.

6. List Kotter's eight steps for leading change.

    Successful change implementation requires managers to make a conscious effort to lead change efforts. The eight steps suggested by John Kotter include (a) establish a sense of urgency; (b) create a guiding coalition; (c) develop a vision and strategy; (d) communicate the change in vision; (e) empower broad-based action; (f) generate short-term wins; (g) consolidate gains and producing more change; (h) anchor new approaches in the culture.

7. What is organizational development (OD)?

    Organizational development is an organization wide, planned effort managed from the top to increase organizational performance through planned interventions.

8. What principles can organizations follow to successfully innovate?

    There are four essential principles of successful innovation: (a) an organization's approach to innovation must be comprehensive; (b) the innovation must include systematic, organized, and continual search for new opportunities; (c) organizations must involve everyone in the innovation process; and (d) an organization must work constantly on improving its climate for innovation.

9. What is a learning organization?

    A learning organization has been defined as an organization skilled at creating, acquiring, and transferring knowledge and in modifying behavior to reflect the new knowledge.

Serving to Promote the Potential Of People & Organizations

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

GOATES
CONSULTING
GROUP

10. What organizational characteristics determine corporate culture?

Individual autonomy, structure, support, identification, performance-reward, conflict tolerance, and risk tolerance.

11. How is corporate culture originated and maintained?

There are at least four separate factors that can contribute to an organization's culture: history, environment, selection process, and socialization process. In most cases an organization's culture originates with its history and environment and is reinforced by its staffing decisions and the socialization process.

12. Name and briefly define the four generic types of corporate culture.

The **tough-guy, macho culture** is characterized by individualists who regularly take high risks and get quick feedback on whether they are right or wrong. The **work-hard/play-bard culture** encourages employees to take few risks and to expect rapid feedback. The **bet-your-company culture** requires big-stakes decisions with considerable time lags before the results are known. The **process culture** involves low risk coupled with little feedback; employees must focus on how things are done rather than the outcomes.

13. What is an organizational subculture?

An organizational sub-culture-values, beliefs, and practices vary from one part of the organization to the other.

Suggested Answers to Skill-Building Questions

1. Take a position on the following statement and be prepared to defend it: Most people resist change, not because the change is harmful but because they are lazy.

Some students will view employees as lazy and will agree with this statement. Certainly, some people resist change because they want to avoid the extra work and inconvenience. However, there are many other legitimate reasons to resist change (e.g., fear of the unknown, economics, etc.).

2. Check recent literature (*Business Week, The Wall Street Journal*, and other library sources), and identify two or three industries that are currently experiencing major changes. How is each industry responding to the changes? Are these industries likely to be stronger or weaker as a result of these changes?

You will receive differing responses based on the industries selected.

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

G | GOATES
CONSULTING
GROUP

3. Pick an organization or industry you think will need to change its culture if it is to thrive in the future (as the telecommunication companies had to do in the 1980s and the airlines have had to do since 9/11). Be prepared to explain why you think this change must occur.

   You will receive differing responses based on the organization or industry selected.

4. Pick a company that you think has been particularly innovative. Why do you think they have been successful at promoting innovation?

   You will receive differing responses based on the company selected.

Skill Building Exercise 16.1

Change in the Airline Industry

This exercise encourages students to gather information about and analyze an industry that was profoundly affected by the environmental changes resulting from the tragic September 11, 2001, events. While most environmental changes may not result from such a dramatic catalyst, organizations and industries constantly have to change their entities in response to environmental events, which are outside the control of those involved.

Skill Building Exercise 16.2

Real Changes

Student's answers will vary.

Skill Building Exercise 16.3

Resisting Change

This exercise allows students to analyze different forms of decision making, when it is necessary to correct a performance problem of a select group of employees. It introduces how careful selection must be done so as not to discriminate, even when training. This exercise also introduces how to break away from routines and inspire new approaches to performance setbacks.

Skill Building Exercise 16.4

The Performance of Learning Organizations

You will receive differing responses based on the industries selected.

Serving to Promote the Potential Of People & Organizations

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

G | GOATES CONSULTING GROUP

Suggested Answers to Case Incident Questions

Case 16.1 The Way We Do Things

1. Describe in general terms, the corporate culture at Fitzgerald Company.

    It seems that this is a process culture. Fitzgerald is stuck in its old rut and does not question its relevance or need for modification. They persist in doing what they've always done because that's how they're used to doing things.

2. What does Valerie mean when she says Fitzgerald Company may have to change its culture? What are some of the necessary changes?

    The company is an example of an organization that has strong values that do not fit the changing environment. While the marketplace seems to be interested in lower prices, Fitzgerald continues to put emphasis on the generation of new products. In order to survive, the company must put more focus on cost control and process improvements. In the long run, the management structure should become more balanced between production and marketing in order to reflect the new emphasis on production control.

3. Discuss the problems the company may encounter in attempting to implement changes.

    Resistance from vested interests within; old habits die hard; and risks will have to be strengthened, which may threaten some people.

Case 16.2 Upgrading Quality

1. Why have efforts to improve quality failed?

    ● The improvements were not set specific to production levels in terms that workers can relate to.

    ● The top management needs to devote more obvious commitment and quality action rather than demand changes to take place from the lower levels on their own.

    ● The quality level desired should be reasonable, communicated well, and matched with incentives for the workers.

2. Design a quality improvement program that would have a better chance of being successful if used by Judy.

    Answers will vary. Concentrate on planned and directed change.

Serving to Promote the Potential Of People & Organizations

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

G | GOATES CONSULTING GROUP

Suggested Student Projects

1. Find a company that has recently gone through organizational change. Show how the company was before and how it is now. What changes took place? Look at all facets including management, corporate culture, the consumer, market segments, supplier relationships, and stock-holder relationships. Your paper should be about two to three pages in length.

2. Interview an owner of a firm and get their ideas on change and diversity. What seem to be the most important issues to them? What kind of change situations are they faced with? How do they define and deal with diversity? Record your findings and report to the class or instructor.

16-13
Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

MANAGEMENT
skills & applications

Leslie W. Rue
Lloyd L. Byars

Chapter 16

Managing Change and Culture

Learning Objectives

After studying this chapter, you will be able to:

1. Identify the three major categories of organizational change.

2. List the three steps in Lewin's model for change.

3. Discuss several reasons employees resist change.

4. Identify several prescriptions for reducing resistance to change.

5. Describe an approach that managers can use to lead change.

6. Summarize the four stages of an organizational development (OD) program.

16-2

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

1

G

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Learning Objectives (cont'd)

After studying this chapter, you will be able to:

7. Briefly describe the four essential principles that organizations must follow to manage innovation.

8. Explain what a learning organization is.

9. Define corporate culture.

10. Describe the generic types of organizational culture.

11. Identify two common sources of organizational sub-cultures.

16-3

Types of Change

- Change as it applies to organizations can be classified into three major categories:
  - **Technological changes**
    - Changes in such things as new equipment and new processes.
  - **Environmental changes**
    - All nontechnological changes that occur outside the organization.
  - **Internal changes**
    - Budget adjustments, policy changes, personnel changes, and the like.

16-4

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

2

G

Goates
Consulting
Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Types of Changes Affecting Organizations

Technological	Environmental	Internal
Machines	Laws	Policies
Equipment	Taxes	Procedures
Processes	Social trends	New methods
Automation	Fashion trends	Rules
Computers	Political trends	Reorganization
New raw materials	Economic trends	Budget adjustment
Robots	Interest rates	Restructuring of jobs
	Consumer trends	Personnel
	Competition	Management
	Suppliers	Ownership
	Population trends	Products/services sold

Figure 16.1

16-5

The Change Process: Force Field Analysis

- Kurt Lewin, discussed that change is a function of the forces that support or promote the change and those forces that oppose or resist the change.
  - Change forces introduce something different about the organization over time.
  - Resistance forces support the status quo, or keeping things as they are.
  - The sum total of these forces determines the extent to which a change will be successfully implemented.

16-6

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

3

Goates
Consulting

Group

G

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

Lewin's Three-Step Model for Change

- Unfreezing
  - Deals with breaking down the forces supporting or maintaining the old behavior.
  - Forces can include the formal reward system, reinforcement from the work group, and the individual's perception of proper role behavior.
- Presenting a new alternative
  - Involves offering a clear and attractive option representing new patterns of behavior.
- Refreezing
  - Requires that the change behavior be reinforced by the formal and informal reward systems and by the work group.
  - Managers can play a pivotal role by positively reinforcing employee efforts to change.

16-7

Resistance to Change

- Fear of the unknown.
  - A related fear is the uncertainty employees may feel about working in a changed environment.
- Economics.
  - Employees fear any change they think threatens their jobs or incomes.
- Fear that skills and expertise will lose value.
  - Anything that has the potential to reduce that value will be resisted.

16-8

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

4

G | Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Resistance to Change (cont'd)

- Threats to power.
  - Many employees, and especially managers, believe a change may diminish their power.
- Additional work and inconvenience.
  - A common reaction by employees is that "it isn't worth the extra effort required."
- Threats to interpersonal relations.
  - When a change, such as a transfer, threatens these relationships, the affected employees often resist.

16-9

Typical Change Scenarios

- If employees cannot foresee how change will affect them, they will resist the change or be neutral at best.
- If employees perceive that the change does not fit their needs and hopes, they will resist the change.
- If employees see that the change is inevitable, they may first resist and then resign themselves to the change.
- If employees view the change as being in their best interests, they will be motivated to make the change work.

16-10

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

5

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Directing Change

- Recommended steps in issuing a change directive:
  - Determine the response needed from the employee to accomplish the task effectively.
  - Estimate the expected response if the directive is simply published or orally passed to the employee (as many are).
  - If a discrepancy exists between the needed response and the estimated response, determine how the two responses can be reconciled (opposition is never an acceptable response).

16-11

Employee Response Model
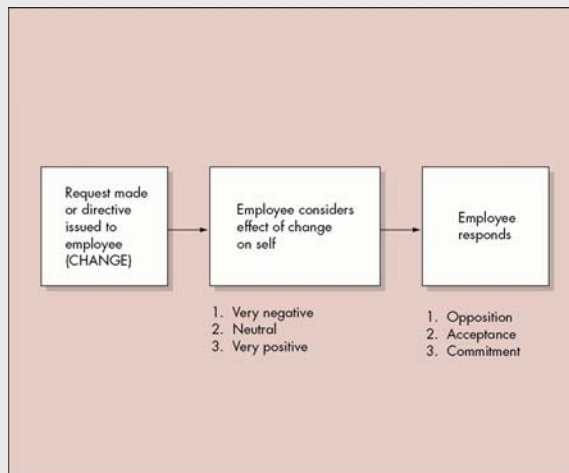
Source: Waldron Berry, "Overcoming Resistance to Change," *Supervisory Management,* February 1983.

Figure 16.2

16-12

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

6

Goates
Consulting

Group

G

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Reducing Resistance to Change

- Build trust
  - Management's day-to-day and long-term actions determine the degree of trust among employees.
- Discuss upcoming changes
  - The manager should explain not only what the change will be but also why the change is being made.
  - The manager should also outline the impact of the change on each affected employee.
- Involve the employees
  - The key is to involve employees personally in the entire change process.

16-13

Reducing Resistance to Change (cont'd)

- Make sure the changes are reasonable
  - Originator of change could be unaware of all the pertinent circumstances making the change unreasonable.
- Avoid threats
  - This is likely to decrease rather than increase employee trust.
- Follow a sensible time schedule
  - Manager should always use common sense when proposing a time schedule for implementing a change.

16-14

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

7

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Overcoming Resistance to Change

Approach	Commonly Used in Situations	Advantages	Drawbacks
Education + communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Can be time-consuming if lots of people are involved.
Participation + involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Can be time-consuming if participators design an inappropriate change.
Facilitation + support	Where people are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time-consuming and expensive and still fail.
Negotiation + agreement	Where someone or some group will clearly lose out in a change, and where that group has considerable power to resist.	Sometimes it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it alerts others to negotiate for compliance.
Manipulation + co-optation	Where other tactics will not work or are too expensive.	It can be a relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated.
Explicit + implicit coercion	Where speed is essential and the change initiators possess considerable power.	It is speedy and can overcome any kind of resistance.	Can be risky if it leaves people mad at the initiators.

Source: Reprinted by permission of *Harvard Business Review,* Exhibit from "Choosing Strategies for Change," by John P. Kotter and Leonard A. Schlesinger, March–April 1979. Copyright © 1979 by the Harvard Business School Publishing Corporation; all rights reserved.

Figure 16.3

16-15

Model for Leading Change

1. Establish a sense of urgency

2. Create the guiding coalition

3. Develop a vision and strategy

4. Communicate the change vision

5. Empower broad-based action

6. Generate short-term wins

7. Consolidate gains and produce more change

8. Anchor new approaches in the culture

Source: Reprinted by permission of Harvard Business School Press. From *Leading Change,* by J. Kotter. Boston, MA 1996. Copyright © 1996 by the Harvard Business School Publishing Corporation; all rights reserved.

Figure 16.4

16-16

Serving to Promote the Potential Of People & Organizations

*1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com*

8

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Organizational Development

- Organization wide, planned effort, managed from the top, to increase organizational performance through planned interventions.
  - OD looks at the human side of organizations.
  - Seeks to change attitudes, values, and management practices in an effort to improve organizational performance.
  - Ultimate goal of OD is to structure the organizational environment so that managers and employees can use their skills and abilities to the fullest.

16-17

Organizational Development Phases

- Diagnosis: A plan for analyzing the data should be developed even before the data are collected.
  - Review available records
  - Survey questionnaires
  - Personal interviews
  - Direct observation
- Change planning
  - The key to interpreting the data is to look for trends and areas of general agreement.
  - Identify specific problem areas
  - Outline steps for resolving the problems.

16-18

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

9

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Organizational Development Phases (cont'd)

- Intervention/ Education
  - Direct feedback
    - Workshops are often conducted to initiate the desired changes.
  - Team building
    - Clarifying employee roles
    - Reducing conflict
    - Improving interpersonal relations
    - Improving problem-solving skills.
  - Sensitivity training
    - Training group or T-group
    - People tend to show increased sensitivity, more open communication, and increased flexibility.
    - While outcomes are beneficial in general, it is difficult to predict the outcomes for any one person.

16-19

Organizational Development Phases (cont'd)

- Evaluation
  - Did the OD process produce the desired results?
  - Objectives should be outcome oriented.
  - Should lend themselves to the development of measurable criteria.
  - Evaluation effort be methodologically sound.
    - Compare data collected before the OD intervention against data collected after the OD intervention.
    - Compare "before" and "after" data with similar data from a control group.

16-20

Serving to Promote the Potential Of People & Organizations

*1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com*

10

G

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Model for Management of Organizational Development
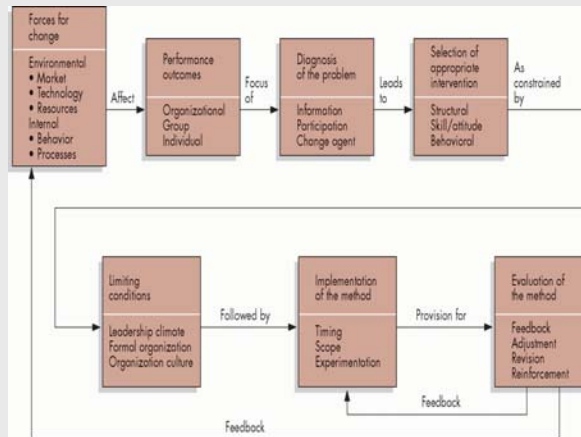

Figure 16.5

16-21

Essential Principles for Managing Innovation

- An organization's approach to innovation must be comprehensive.
  - Innovation must permeate the entire organization, and it must encompass all aspects of organization.
- Innovation must include systematic, organized, and continual search for new opportunities.
  - The rapid pace of change today dictates much broader participation than just top management in these decisions.

16-22

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

11

G

Goates
Consulting

Group

Organization
Effectiveness
& Leadership
Development

Strategic
Human Resource
Leadership

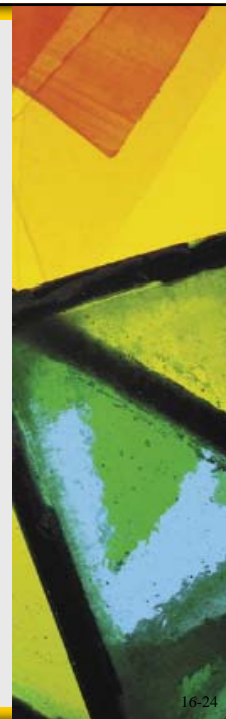## Essential Principles for Managing Innovation (cont'd)

- Organizations must involve everyone in the innovation process.
  - The dormant creativity of employees across the organization must be tapped.
- An organization must work constantly to improve its climate for innovation.
  - Innovative climates expect a certain degree of failure, learn from failures, and share the learning throughout the organization.
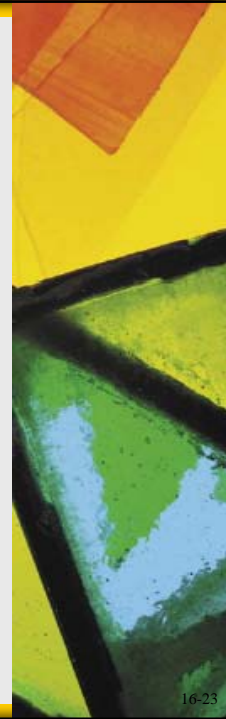
16-23

Five Principles for Learning Organizations

- Systems thinking
  - Managers must learn to see the big picture and not concentrate only on their part.
- Personal mastery
  - Individual managers and employees must be empowered to experiment, innovate, and explore.
- Mental models
  - Managers and employees should be encouraged to develop mental models to find new and better ways of doing things.

16-24

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

12

G

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Five Principles for Learning Organizations (cont'd)

- Shared vision
  - Managers should develop and communicate a shared vision that can be used as a framework for addressing problems and opportunities.
- Team learning
  - Team learning is the process of aligning a team so as to avoid wasted energy and to get the desired results.

16-25

Managing Corporate Culture

- Culture
  - Set of important understandings (often unstated) that members of a community share.
- Corporate culture
  - Communicates how people in an organization should behave by establishing a value system conveyed through rites, rituals, myths, legends, and actions.
- Culture has two basic components:
  - Substance, the meanings contained in its values, norms, and beliefs.
  - Forms, the practices whereby these meanings are expressed, affirmed, and communicated to members.

16-26

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

13

G
**Goates
Consulting

Group**

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Factors Contributing to Organization's Culture

- History
  - Employees are aware of the organization's past, and this awareness builds culture.
  - Protection of the status quo is due to the tendency of humans to embrace beliefs and values and to resist changes.
- Environment
  - Deregulation of the telecommunications made the environment highly competitive and much more dynamic.
- Staffing
  - Organizations tend to hire, retain, and promote people who are similar to current employees in important ways.
- Entry socialization
  - Adaptation process by which new employees are introduced and indoctrinated into the organization.

16-27

Characteristics of a Strong Corporate Culture

- Organizational members share clear values and beliefs about how to succeed in their business.
- Organizational members agree on which beliefs about how to succeed are most important.
- Different parts of the organization have similar beliefs about how to succeed.
- The rituals of day-to-day organizational life are well organized and consistent with company goals.

Source: Terrence E. Deal and Allan A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading, MA: Addison-Wesley, 1982).

Figure 16.6

16-28

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

14

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Characteristics of a Weak Corporate Culture

- Organizational members have no clear values or beliefs about how to succeed in their business.
- Organizational members have many beliefs as to how to succeed but cannot agree on which are most important.
- Different parts of the organization have fundamentally different beliefs about how to succeed.
- Those who personify the culture are destructive or disruptive and don't build on any common understanding about what is important.
- The rituals of day-to-day organizational life are disorganized or working at cross-purposes.

Source: Terrence E. Deal and Allan A. Kennedy, *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading, MA: Addison-Wesley, 1982).

Figure 16.7

16-29

Identifying Characteristics of Organization Culture

- Individual autonomy
- Structure
- Support
- Identification
- Performance-reward
- Conflict tolerance
- Risk tolerance

16-30

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

15

G

Goates
Consulting

Group

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Types of Cultures

- Tough-person, macho culture
  - Characterized by individuals who take high risks and get quick feedback on whether their decisions are right or wrong.
- Work-hard/play hard culture
  - Encourages employees to take few risks and to expect rapid feedback.
- Bet-your-company culture
  - Requires big-stakes decisions; considerable time passes before the results are known.
- Process culture
  - Involves low risk with little feedback; employees focus on how things are done rather than on the outcomes.

16-31

Generic Types of Cultures

		Degree of Risk	
		High	Low
Speed of Feedback	Rapid	Tough-person, macho culture	Work-hard/play-hard culture
	Slow	Bet-your-company culture	Process culture

Figure 16.8

16-32

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

16

*Organization
Effectiveness
& Leadership
Development*

*Strategic
Human Resource
Leadership*

Organizational Subcultures

- It is common for the values, beliefs, and practices to vary from one part of the organization to another.
- Global companies also tend to be faced with multiple cultures.
- Factors that influence cultures include language, social norms, values, attitudes, customs and religion.
- Presence different of subcultures does not preclude the development of areas of commonality and compatibility.
- Successful companies now look at the compatibility of cultures when considering acquisitions and mergers and new locations.

16-33

Changing Culture

- Five justifications for large-scale change include:
  - The organization has strong values that do not fit into a changing environment.
  - The industry is very competitive and moves with lightning speed.
  - The organization is mediocre or worse.
  - The organization is about to join the ranks of the very large companies.
  - The organization is small but growing rapidly.

16-34

Serving to Promote the Potential Of People & Organizations

1253 Orchard Glen Circle, Encinitas, California 92024   Ph: 760-519-9360 Fx: 760-753-9380
greg@goatesconsulting.com   www.goatesconsultinggroup.com

17