

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter details the concept of organizational change and reviews selected literature with general guidelines and activities that contribute to effective change management.

2.2 THE NATURE OF PLANNED ORGANIZATIONAL CHANGE

Change management is the process of continually renewing an organization's direction, structure and capabilities to serve the ever-changing needs of external and internal customers. Mastering strategies for managing change is more important today since the rate of change is greater than at any time in history (Moran, 1996). According to Wadell & Sohal (1996), "Organizational change is the implementation of new procedures or technologies intended to realign an organization with the changing demands of its business environment, or to capitalize on business opportunities."

In his classical model of change, Kurt Lewin (1958) presents a fundamental description of change and described the change process of a system as a series of transitions between three different phases: unfreezing - transition - refreezing (Mecca, 1998). The first step involves unfreezing the present level of behaviour. When a disruptive force affects the status quo, the system begins the unfreezing phase of change. People are motivated to discontinue some aspects of their behaviour. Established frames of reference and accepted patterns of behaviour and old methods of operation are invalidated.

The transition phase of change is represented when people are no longer acting as they used to, but neither have they settled into a new behaviour

pattern. The motivation to change has disrupted the system's present equilibrium, but the desired state has not yet been formed. This movement step involves taking action to change the organization's social system (Katz and Kahn, 1978) from its original level of behaviour or operation to a new level. Confusion resulting from the inability of people to understand and control the environment produces stressful situations. Tension is generated because people have a need for a new operating framework of behaviour. The need to reduce this anxiety promotes a powerful desire for seeking out, processing and utilizing information to create a new state of stability or revert to the old state. When people without a sense of equilibrium are uncomfortable, they are eager to do whatever is necessary to regain it. These unpleasant aspects of the transition state make it possible for new learning to occur if planned.

At some point, the uncertainty of the transition state, in conjunction with the need for stability, leads to a process of stabilizing and integrating the change. This process of learning new behaviour patterns is called refreezing. If the unfreezing and transition phases are well planned and managed, the resulting refreezing phase or solidifying process will yield the desired state. If these earlier phases are not handled appropriately, however, the people and the organization will refreeze, but not necessarily in the desired state.

According to Lewin's **force field analysis**, managers create planned change by altering the restraining and driving forces (Cherrington, 1989). 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.

Schein (1987) provides an example of a contemporary approach to organizational change that develops from Lewin's three-stage process. For him, unfreezing is the process of creating motivation and readiness for change (Siegel et al, 1996). In general, there are three ways of accomplishing this:

- (1) Disconfirmation, when members of the organization experience a need for change which, in turn, motivates them to embrace change.
- (2) Induction of guilt or anxiety involving the establishment of a perceived gap between what is currently not working well and a desired future state; and
- (3) Creation of psychological safety, providing an environment in which people feel safe enough to experience disconfirmation and induction.

The second step for Schein is changing (or cognitive restructuring) which is akin to transition in Lewin's model. This is the process of helping people to see things differently and react differently in the future. Changing can be accomplished by identification with a new role model, mentor, boss, or consultant, which enables one to see things from another's viewpoint, or by scanning the environment for new and relevant information. The third step, refreezing, involves integrating the change process through personal refreezing, which involves taking the new, changed way of doing things and fitting it comfortably into one's total self-concept, and relational refreezing which involves successfully integrating the new behaviour in interactions with significant others.

Another theory of organizational change, called the **Action Research Model** focuses on planned change as a cyclical process in which initial research about the organization provides information to guide subsequent action (Cummings and Worley, 1997). Then the results of the action are

assessed to provide further information to guide further action and so on. This iterative cycle of research and action involves considerable collaboration between organization members and OD practitioners. Action research is traditionally aimed both at helping specific organizations to implement planned change and at developing more general knowledge that can be applied to other settings (Shani and Bushe, 1987).

2.3 KEY ELEMENTS OF SUCCESSFUL ORGANIZATIONAL CHANGE

A range of authors have provided guidelines on the principles and practices underlying the successful management of organizational change. Nadler (1981, 1989) has discussed various types of change. He distinguishes between changes that are *incremental* and which focus only on specific subsystems of the organization, and changes which are *strategic*. The latter types of change are “frame bending” in that they frequently involve breaking out of a current pattern of “congruence” and helping an organization to develop a completely new configuration.

Cummings and Worley (1997) also discuss the magnitude of change. According to them, planned change efforts can be characterized as falling along a continuum, ranging from *incremental* changes that involve fine-tuning the organization to *quantum* changes that entail fundamentally altering how it operates.

Dunphy and Stace (1990) similarly provide a situational model of organizational change. To define their “scale of change” dimension, four types of changes are elaborated:

1. *Fine tuning* – The change is a gradual and ongoing process which is aimed at fine tuning of the “fit” or match between the organization’s current strategy, structure, people and processes – e.g. refining

policies, methods and procedures, fostering commitment to the organizational vision, promoting confidence in accepted norms and beliefs, clarifying established roles and mechanisms for allocating resources, etc. -

2. *Incremental adjustment* – The change is characterized by distinct modifications (but not radical change) to corporate business strategies, structures, and management processes – e.g. shifting emphasis among products, improving process technology, articulating a modified mission statement, adjusting organizational structures within or across departmental boundaries and so on.
3. *Modular transformation* – The change involves major re-alignment of one or more departments/divisions. Such change is focused on the parts rather than the whole of the organization – e.g. restructuring particular departments/divisions, changing key executives and managerial appointments in these areas, work or productivity studies resulting in significantly reduced departmental numbers, reforming departmental goals, introducing significant new departmental process technologies, etc.
4. *Corporate transformation* – Change that is organization wide characterized by radical shifts in business strategy and revolutionary changes throughout the whole of the organization – e.g. reformed mission and core values, altered power and status affecting the power distribution in the organization, major reorganization of structures, systems and procedures, revised interaction patterns – new procedures, communication networks, decision-making patterns, new executives in key managerial positions.

2.3.1 VISIONING OF THE FUTURE

The development and communication of a vision by leaders is one of the key elements of successful change management (Kanter, 1992; Kotter, 1995; Morris and Raben, 1995; Nadler, 1998). According to Kotter (1995), in every successful transformation effort, the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to stakeholders. Generally, the vision describes the desired future towards which change is directed (Cummings and Worley, 1997). The vision provides a valued direction for designing, implementing, and assessing organizational changes. The vision can also energize commitment to change by providing a compelling rationale for why change is necessary and worth the effort.

Nadler (1989) indicates that most visions touch in some way on the following points:

- Rationale - a description of why the vision is needed, or why the change is desired.
- Stakeholders - a discussion of the organization's stakeholders and what it seeks to provide for them.
- Performance objectives - a definition of the core values and/or beliefs that drive the organization of the change.
- Organizational structure or process - how the organization will be structured or will work to achieve the vision.
- Operating style - a discussion of some of the specific elements of how people in the organization will operate and interact with each other. In some cases, this is an attempt to describe the required culture in operational terms.

However, if the vision is seen as impossible or promotes changes that the organization cannot implement, it can actually depress

member motivation. Without a sensible vision, a transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization in the wrong direction or nowhere at all (Burke, 1988, 1990). In less successful cases, management had a sense of direction, but it was too complicated or blurry to be useful (Kotter, 1995). According to Kotter, "If you cannot communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not yet done with this phase of the transformation process."

Kouzes and Pozner (1990) have conducted surveys of more than 7,500 managers from a range of private and public organizations. Their research indicates that there are several crucial attributes that people expect leaders to demonstrate if they are to enlist others in a common cause and gain commitment to the actions required to thrive (Abraham, et al, 1999). Leaders must be seen as forward-looking through demonstrating the ability to set or select a desirable destination for the organization. This importance of visioning is crucial in highly performing organizations.

Vaill (1993) emphasizes the fact that vision is indispensable: "It is the basis on which the organization acquires and maintains personal meaning for all those associated with it." Nadler (1981) similarly points to the need for change managers to design a future state. Typically, this involves a determination of desired output, the development of strategy to achieve that output, and the design of task, individual, formal organization, and informal organization component configuration needed to execute that strategy".

Nadler (1989) further suggests that employees seem to be capable of simultaneously integrating only a limited number of themes for

change. Without a sound vision, the reengineering project, a new performance appraisal system, a quality program or the cultural change project will not add up in a meaningful way. In failed change efforts, there are often plenty of plans and directives and programs, but no vision.

2.3.2 THE ROLE OF LEADERSHIP IN MANAGING CHANGE

A necessary condition for successful implementation of organizational change is the perceived, active and symbolic support and commitment by the leadership of the organization (Mansis Index of Organizational Change, 2000). Any leadership action in an organization domain has potential symbolic value (Zaleznik, 1992). Bartlett and Ghoshall (1994), in their longitudinal study of numerous organizations also see the leadership role as crucial in managing change. Because change is almost always resisted, it needs a champion (APQC White Paper Findings, 1997). Leaders have the difficult task of promoting change when employees are seeking a sense of stability (Moran and Brightman, (1996). The more powerful and visible the champion, the more likely change will be successful.

Leaders must be prepared to “walk the talk” (Abraham et al. 1996). They must be prepared to act in ways that are congruent with the message contained in the vision. Covey (1997) similarly indicates that the “task of leaders is to create a culture that values integrity and empowerment. Without that culture, you may have formal leaders but you won’t have true leadership”.

The leader of the organization, more often the CEO, is perhaps the most effective communicator of the importance and necessity of change to the work force. In fact, all best-practice organizations

indicated that their CEOs plan and manage organizational change, thus serving as the change agents.

2.3.3 PARTICIPATION IN THE CHANGE

Stace and Dunphy (1994) indicate that leadership at the top is not enough. Success depends on building a broader base of support with other individuals who first act as followers, then as helpers and finally as co-owners of the change.

Dunphy and Stace (1990) point out that there has been considerable debate about what kinds of participation are appropriate in change initiatives and why. "Proponents of the industrial democracy tradition of participation argue that those whose lives will be affected by organizational change programmes should have a significant role in the direction of change. They, therefore believe that the workforce should be involved in the setting of major organizational goals for change as well as in their implementation."

Nadler (1981) points to participation as one of the key action steps to motivate change. He stresses that "one of the most consistent findings in the research of change (Coch and French, 1948; Kotter and Schlesinger, 1979) is that participation in the change tends to reduce resistance, builds ownership of the change and thus motivates people to make the change work."

Based on the research of Reichers, Wanous and Austin (1997), it was found that over two-thirds of the respondents of the study reported that they would like a high degree of participation in decision-making. According to the researchers, involvement means

different things to different people, but employees must believe that their opinions have been heard and given careful and respectful consideration. More substantive forms of participation in decision-making tend to be associated with higher commitment. Participation also provides opportunities to receive more information, so it is not surprising that more involvement is associated with less cynicism about the change effort.

Eby et al (2000) also proposed in their study that participation at work may impact an individual's reaction to large-scale change. While research on the effect of participation is mixed (Glew et al., 1995), participation can impact job attitudes and motivation (Leana et al., 1990; Wagner & Gooding, 1987). Moreover, certain conditions may enhance the likelihood that participation will lead to positive reactions to the organization.

2.3.4 SUPPORTING THE CHANGE WITH APPROPRIATE RESOURCES

Amba-Rao (1997) proposed that organizational commitment of resources was an important factor in reducing resistance to change, and thus increasing the success of organizational change initiatives. This was supported by Gilliam's (1986) study that explained that often employees direct their energy into resistance due to lack of knowledge that would allow them to channel their energy into support. He suggested using education, training and active listening by managers to overcome this problem. Another aspect of resources is by way of meetings in the implementation process, as they directly involve time and money as well.

According to Abraham et al. (1999), large-scale change requires the allocation of considerable resources in support of the change. Financial and human resources must be allocated to plan, monitor and implement the change. For example, additional human resources are required for setting up and running quality teams and transition management structures to manage the change process. Resources must also be directed toward training and special communication associated with the aims and process of change.

Nadler (1981) emphasizes the necessity for allocating such resources to the change process: "Major transitions involve potentially large risks for organizations. Therefore, they are worth doing well, and it is worth providing the needed resources to make them happen effectively."

2.3.5 MOTIVATION AND REWARDS

The empowerment of subordinates as well as recognition and reward for good work, have been clearly recognized as effective organizational practices (Abraham, et al., 1999). Hackman et al. in their classic (1975) paper, building on the work of Herzberg (1966), emphasize the importance of recognition and feedback to employees in order to produce high quality work performance. Block (1987), Sathe (1985) and Weisbord (1989) have similarly emphasized the importance of recognition and reward in motivating work performance.

Nadler (1981) points out in his paper that "rewards such as bonuses, pay systems, promotions, recognition, job assignment, and status symbols all need to be carefully examined during major organizational changes and restructured to support the direction of

the transition." The Mansis Index of Organizational Change (2000) reinforces this fact by explaining that expectation of reward and recognition is the measure of employee belief and trust in management and the organization will keep promises and will recognize good employee performance. Without this expectation, employees resist the risk associated with organizational change.

In studying the relationship between rewards and performance, Ulrich and Lake (1991) maintain that there should be less emphasis on punitive practices and more on rewards as a positive force aiming at shaping the desired behaviours. Spritzer (1996) provides a number of reasons why organizational rewards fail to have the desired motivational impact. Among these are an excessive dependency on monetary rewards, lack of recognition value of the rewards, and rewarding the wrong performances. Rewards with motivational power make people feel good about their current and past accomplishments, work synergistically with intrinsic motivation and energise them to achieve even more.

On the contrary, Kohn (1993), an opponent of rewards and incentive plans points out that rewards succeed at securing only one thing, which is temporary compliance. When it comes to producing lasting change in attitudes and behaviours, rewards, like punishment are strikingly ineffective.

2.3.6 STRUCTURING FOR CHANGE

There are special structures needed to effectively manage the change process. According to Nadler (1981), these "parallel" structures are developed outside the normal structure to enable the management and monitoring of change processes as a whole,

without putting a strain on regular organizational arrangements. Morris and Raben (1995) support Nadler's point by suggesting that there was a need for a particular "transition manager" driving the change, with a network of "transition coordinators" to form such a parallel structure. This parallel structure can include special task forces, cross-functional teams, pilot projects and experimental units.

Other authors also support the importance of such change structures for successful change. Beckhard and Harris (1987) recommend the creation of a transition management team (TMT) with the resources and influence to integrate and manage the change process. Duck (1993) similarly draws attention to transition management teams in managing organizational change.

2.3.7 COMMUNICATING FOR CHANGES

Siegel et al (1996) viewed communication as managing the people side of change, whereby it concerns how, when, and how much to communicate about change within the organization. Communicating for change directly reflects major components of change cited by Galpin's Human Side of Change (1996) as essential to successful change implementation.

Communications serve many purposes for organizations undergoing change (APQC White Paper Findings, 1997). First, it is the way the CEO and the organization's top executive team deliver the vision and strategy to those who must implement them - the work force. Second, it is the means to developing understanding, by the work force and management, of the organization's progress toward change and the work that remains to be done. Third,

through its many paths, communication enables not only leaders to send important messages to the work force but also workers to offer help and ask for assistance.

Janson and Walters (1994) explained how clear, honest and frequent communication is important for organizational change to be successful. Sharing information and empathizing with employee concerns can help minimize speculation and anxiety. Effective communication can take away at least part of the feeling of uncertainty and lack of information about the change, reducing speculation and unfounded fears (Colvin & Kilmann, 1990; Bronson, 1991; Covin, 1993; Young & Post, 1993).

Effective communication is necessary for all phases of the change process (Abraham, 1996). A strong communication strategy can also set the tone for the change effort, inject the process with energy and excitement, and create an awareness of the consequences for inaction.

Communication is needed to clarify the future state in terms that are relevant and concrete for organization participants at all levels. For example, Stace and Dunphy (1994) wrote: "One of the central tasks of leaders is to generate a new vision to guide the organization into a viable future. There is a need to ensure that the vision is communicated effectively so that it is eventually translated into concrete actions to the members of the organization. The creation of vision itself demands communication, sometimes two-way communication throughout the whole organization, with significant number of employees at all levels being involved in providing feedback and input on early drafts of the vision."

Effective communication is also mandatory if one is to guide change through the complexities of the transition stage of change (Abraham, 1996). Communication needs to be managed so that at any point in the transition, confusion is avoided through coherent, accurate and honest messages which use a variety of media, are broad in their coverage and frequent in impact (Kanter, 1992). Communication further occurs through evidence of action matching rhetoric and the use of symbols and language to create energy (Morris and Raben, 1995).

2.3.8 USING MULTIPLE LEVERAGE POINTS

Many points of leverage must be simultaneously used to bring about successful organizational change. The infrastructure of the organization must be adjusted to be consistent with, and support the change (Nader, 1981). Thus, planning processes, information systems, rewards and incentives, standards and measures of performance, budgeting and resource allocations must not be allowed to lag behind the change. They must be used as levers to support the change over time (Abraham, Fisher and Crawford, 1997). Managing the transition thus involves the use of multiple leverage points. This means that many actions in different variables need to be managed simultaneously. For example achievement of a vision may require strategic and structural change in conjunction with team building and individual training. Focus on a single dimension of the model is not likely to be effective, since major alterations in one component tend to upset the balance with other components.