Chapter 11

Managing Change and Innovation

Chapter Outline

I. Turbulent Times and the Changing Workplace
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Annotated Learning Objectives

After studying this chapter, students should be able to:

1. Define organizational change and explain the forces for change.

   Organizational change is defined as the adoption of a new idea or behavior by an organization. Forces for change exist in both the external environment and within the organization. External forces originate in all environmental sectors including customers, competitors, technology, economic, and international events. Internal
forces for change arise from internal activities and decisions. Demands by employees, labor unions, and production inefficiencies can all generate a force to which management must respond with change.

2. *Describe the sequence of four change activities that must be performed in order for change to be successful.*

The four events that make up the change sequence are as follows: internal and external forces for change must exist; organization managers monitor these forces and become aware of a need for change; the perceived need triggers the initiation of change; and change is implemented.

3. *Explain the techniques managers can use to facilitate the initiation of change in organizations, including idea champions, new-venture teams, and idea incubators and open innovation.*

After the need for change has been perceived, the next part of the change process is initiating change, a truly critical aspect of change management. This is where the ideas that solve perceived needs are developed. Organizations can search for, or create, a change to adopt. Search is the process of learning about current developments inside or outside the organization that can be used to meet the perceived need for change. Creativity is the development of novel solutions to perceived problems. Creative individuals develop ideas that can be adopted by the organization.

If creative conditions are successful, new ideas will be generated that must be carried forward for acceptance and implementation. This is where idea champions come in. An idea champion is a person who sees the need for and champions productive change within the organization.

A recent idea for facilitating corporate innovation is called a new-venture team. This team is a unit separate from the rest of the organization and is responsible for developing and initiating a major innovation. Its separate facilities and location free it from organizational rules and procedures.

An idea incubator is run entirely in-house but provides a safe harbor where ideas from employees throughout the organization can be developed without interference from company bureaucracy or politics. One value of an internal incubator is that an employee with a good idea has somewhere to go with it, rather than having to shop the idea all over the company and hope someone pays attention.

Open innovation means extending the search for and commercialization of new ideas beyond the boundaries of the organization and even beyond the boundaries of the industry. Most companies generate their own ideas in house and then developed, manufactured, marketed, and distributed them, a closed innovation approach. With open innovation, even customers are brought into the innovation loop. This allows the company to get many perspectives and develop products and services that result from a host of diverse ideas.

4. *Define sources of resistance to change.*

Employees appear to resist change for several reasons, and understanding them helps managers implement change more effectively. Due to self-interest, employees
typically resist a change they believe will take away something of value. Because of
lack of understanding and trust, employees often do not understand the intended
purpose of a change or distrust the intentions behind it. Uncertainty is the lack of
information about future events. This fear of the unknown causes employees to
resist a change when they do not know how they will be affected. Another reason
for resistance to change occurs when people who will be affected by innovation have
different assessments and goals than an idea champion or new-venture group. These
reasons for resistance are legitimate in the eyes of employees affected by the change.

5. Explain force field analysis and other implementation tactics that can be used to
overcome resistance to change.

Strategies for overcoming resistance to change typically involve two approaches: the
analysis of resistance through the force field technique and the use of selective
implementation tactics to overcome resistance.

Force field analysis is an idea that change is the result of the competition between
driving and restraining forces. When a change is introduced, some forces drive and
other forces resist the change. By management selectively removing forces that
restrain change, the driving forces will be strong enough to enable implementation.

The other approach to managing implementation is to adopt specific tactics to
overcome employee resistance to change. The following implementation tactics
have proven successful: communication and education, participation, negotiation,
coercion, and top management support of the proposed change.

6. Explain the difference among technology, product, structure, and culture/people
changes.

The types of organizational change are strategy, technology, products, structure, and
culture/people. A technology change is related to the organization’s production
process or how the organization does its work. Technology changes are designed to
make the production of a product or service more efficient. A product change is a
change in the organization’s product or service output. New-product innovations
have major implications for an organization and the employees.

Structural changes involve the hierarchy of authority, goals, structural
characteristics, administrative procedures, and management systems. Almost any
change in how the organization is managed falls under the category of structural
change. A culture/people change refers to changes in employees’ values, norms,
attitudes, beliefs, and behavior. Changes in culture and people pertain to how
employees think. These are changes in mindset rather than technology, structure, or
products. People change pertains to just a few employees. Culture change pertains
to the organization as a whole.
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7. **Explain the change process--bottom-up, top down, horizontal--associated with each type of change.**

The general rule is that technology change is bottom-up. The bottom-up approach means that ideas are initiated at lower organization levels and channeled up for approval. A top-down approach to technology change usually does not work. Top managers are not close to the production process and lack expertise in technological developments. Ideas for new products typically originate at the lower levels of the organization just as they do for technology changes. The difference is that new-product ideas flow horizontally among departments.

Successful structural change is accomplished through a top-down approach. Structural change is top-down because the expertise for administrative improvements originates at the middle and upper levels of the organization. Top-down change means the idea occurs at upper levels and is implemented downward.

8. **Define organizational development and large-group interventions.**

Organizational development (OD) is the application of behavioral science knowledge to improve an organization’s health and effectiveness through its ability to cope with environmental changes, improve internal relationships, and increase problem-solving capabilities. Organizational development improves working relationships among employees. Organizations undergoing a period of decline and revitalization experience a variety of problems including a low level of trust, lack of innovation, high turnover, and high levels of conflict and stress. Organizational development techniques can contribute greatly to cultural revitalization by managing conflicts, fostering commitment, and facilitating communication.

The large-group intervention approach brings together participants from all parts of the organization--often including key stakeholders from outside the organization as well--to discuss problems or opportunities and plan for change. A large-group intervention might involve 50 to 500 people and last several days. The idea is to include everyone who has a stake in the change, gather perspectives from all parts of the system, and enable people to create a collective future through sustained, guided conversation and dialogue.

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**Lecture Outline**

**Suggested Opening Remarks**

Mangers at BMW’s Cowley, Oxford, plant were facing the need for a major cultural overhaul. They began by shifting the plant to a self-directed team-based structure and training employees to work as part of a team. Team-building sessions, cross-training, and coaching by external consultants helped people make the transition from working on a traditional assembly line to working in teams of 8 to 15 members who rotate jobs and solve production problems. One person within each team is designated to be responsible...
for continuous team development, with a reduction in other day-to-day duties. The next
directly in determining other changes the factory could make to improve effectiveness.
Every two weeks, each of the three shifts shuts down production for a 45-minute period
to discuss ideas for technology changes. As managers implemented the ideas, more and
more employees began to participate. BMW also instituted a “Back to the Track” scheme
that puts managers and directors on the production lines working side-by-side with plant
workers. Employees saw first-hand that they—not managers---were the ones with
expertise and knowledge for solving production problems. The approach helped bridge
the gulf between management and labor and enhanced the empowerment process. Within
three years, BMW had implemented more than 8,000 ideas from employees. Production
targets were exceeded by more than 60 percent, contributing to significant cost savings.
Plant workers now feel like an important part of the business rather than like pieces of
production equipment.

I. TURBULENT TIMES AND THE CHANGING WORKPLACE

➢ What is organizational change? How important is it?

Organizational change is defined as the adoption of a new idea or behavior by an
organization.

In today’s highly complex and rapidly changing world, organizations need to
continuously adapt to new situations if they are to survive and prosper.

Advances in information technology and the Internet are driving many of the
changes in today’s world and today’s organizations.

New trends such as e-business enterprise resources planning, and knowledge
management require profound changes in the organization.

A horizontal structure breaks down boundaries within the organization, as well as
with other companies, to promote collaboration for learning and change.

There are changes in work procedures, administrative policies, technology, product
or corporate culture.

Organizations embrace incremental change, a gradual improvement of operational
and work processes or transformational change, redesigning the organization.

Managers can learn to anticipate and facilitate change to help their organizations
keep pace with the rapid changes in the external environment.

II. MODEL OF PLANNED ORGANIZATIONAL CHANGE

Change can be managed.

By observing external trends, patterns, and needs, managers use planned change to
help the organization adapt to external problems and opportunities.
Four events make up the change sequence:

- Internal and external forces for change exist.
- Organization managers monitor these forces and become aware of a need to change.
- The perceived need triggers the initiation of change.
- Change is then implemented.

A. Forces for Change

Forces for change exist both in the external environment and within the organization.

1. Environmental Forces

Environmental forces include customers, competitors, technology, economic, and the international arena.

Yellow Freight changed its way of doing business after losses; now the company bills itself as customers’ one-stop source for transportation needs.

2. Internal Forces

Internal forces for change arise from internal activities and decisions by management, employees, labor unions, and from production inefficiencies.

To support growth at Proctor & Gamble, the CEO acquired beauty care companies, revised manufacturing systems, switched suppliers, and emphasized partnerships.

Discussion Question #3: What are internal and external forces for change? Which force do you think is the major cause of organizational change in a university? In a pharmaceuticals firm?

B. Need for Change

External or internal forces translate into a perceived need for change within the organization; many companies change if they perceive a crisis such as after 9/11.

After the attack on the World Trade Center, the employees of E Commerce, located across the street, saw the value of breaking down barriers and helping others.

In many cases, there is no crisis that prompts change because problems are subtle.

Managers recognize a need for change when there is a performance gap, a disparity between existing and desired performance levels.

Managers must be alert to problems and opportunities because the need for change sets the stage for actions that create a new product or technology...
Big problems are easy to spot; sensitive monitoring systems are needed to detect gradual changes that can fool managers into complacency.

Organizations may be in greater danger when the environment changes slowly, because managers may fail to trigger an organizational response.

**Discussion Question #1:** Times of shared crisis, such as the September 11, 2001, terrorist attack on the World Trade Center can induce many companies that had been bitter rivals to put their competitive spirit aside and focus on cooperation and courtesy. Do you believe this type of change will be a lasting one? Discuss.

### Notes

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### III. INITIATING CHANGE

**Exhibit 11.2**

> Why is initiation a critical stage in the change process?

This is the stage where ideas that solve perceived and communicated needs are developed, a critical aspect of change management.

Responses an organization can make are search for a change to adopt and create a change to adopt.

A. Search.

*Search* is the process of learning about current developments inside or outside the organization that can be used to meet the perceived need for change.

Search typically uncovers existing knowledge that can be applied or adopted within the organization.

Many needs cannot be resolved through existing knowledge but require that the organization develop a new response, which means that creativity is needed.

B. Creativity.

*Creativity* is the generation of novel ideas that may meet perceived needs or offer opportunities for the organization.

Creative is the first step in innovation, which is vital to long-term organizational success.

Creative people are known for: originality, curiosity, open-mindedness, focused approach to problem solving, persistence, relaxed and playful attitude, and receptiveness to new ideas.

Creativity can be designed into organizations; characteristics of creative organizations correspond to those of individuals.
Creative organizational conditions include:

- Open channels of communication
- Assignment of nonspecialists to problems
- Decentralization
- Freedom to choose problems
- Resources allocated to creative personnel without immediate payoff

To keep creativity alive at Nokia, managers sponsor friendly internal competitions, such as a photography contest using Nokia camera phones.

The most creative companies embrace risk and encourage employees to experiment and make mistakes.

C. Idea Champions and New-Venture Teams

An idea champion is a person who sees the need for, and champions, productive change within the organization.

At Kyocera Wireless, the lead engineer was a champion for the Smartphone, a device that combines a high-end mobile phone with a Palm digital assistant.

Change does not occur by itself; new ideas must be carried forward for acceptance and implementation.

Four roles in organizational change:

- **Inventor.** The inventor develops a new idea and understands its technical value but has neither the ability nor the interest to promote it for acceptance within the organization.

- **Champion.** The champion believes in the idea, confronts the organizational realities of costs and benefits, and gains the political and financial support needed to bring it to reality.

- **Sponsor.** The sponsor is a high-level manager who approves the idea, protects the idea, and removes major organizational barriers to acceptance.

- **Critic.** The critic counterbalances the zeal of the champion by challenging the concept and providing a reality test against hard-nosed criteria. The critic prevents people in the other roles from adopting a bad idea.

Managers can directly influence whether champions will flourish; Texas Instruments not to approve a new product if it didn’t have a champion.

A new-venture team is a unit separate from the rest of the organization and is responsible for developing and initiating innovations.

One variation is a skunkworks, a separate small, informal, highly autonomous, and often secretive group that focuses on breakthrough ideas for the business.

The laser printer was invented by a Xerox researcher who was transferred to a skunkworks.
A new-venture fund provides resources from which individuals and groups draw to develop new ideas, products, or businesses.

An idea incubator is run entirely in-house but provides a safe harbor where ideas from employees throughout the organizations can be developed without interference from company bureaucracy or politics.

Companies as diverse as Boeing and United Parcel use incubators to produce products and services related to the company’s core business.

**Discussion Question #8:** Define the roles associated with an idea champion. Why do you think idea champions are so essential to the initiation of change?

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D. Open Innovation

Many companies are undergoing a transformation in the way they find and use new ideas.

*Open innovation* means extending the search for and commercialization of new ideas beyond the boundaries of the organization.

Proctor & Gamble hits such as the Crest Spin Brush were created by other organizations and bought by P & G.

The product development process for 3M’s Medical-Surgical Markets Division involves cross-functional teams that work with customers and other outsiders.

**Discussion Question #5:** What do you see as the major advantages and disadvantages of the open innovation approach?

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IV. IMPLEMENTING CHANGE

A creative culture, idea champions, and new-venture teams are ways to facilitate the initiation and development of new ideas.

The next step in the change process is implementing change.

A new, creative idea will not benefit the organization until it is in place and being fully used.

A frustration for managers is that employees often resist accepting the new idea for no apparent reason.

Managers should be aware of the reasons for employee resistance and be prepared to use techniques for obtaining employee cooperation.
A. **Resistance to Change**

Idea champions and members of new-venture groups often discover that other employees are unenthusiastic about their new ideas.

Managers and employees not involved in developing an innovation often prefer the status quo.

Employees appear to resist change for the following reasons and understanding these reasons helps managers implement change more effectively:

1. **Self-interest**
   
   Employees typically resist a change they believe will take away something of value.
   
   A proposed change in job design, structure or technology may lead to a perceived loss of power, prestige, pay, or company benefits.
   
   The fear of personal loss is perhaps the biggest obstacle to organizational change.

2. **Lack of understanding and trust**
   
   Employees often do not understand the intended purpose of a change or distrust management’s intentions for the change.
   
   If previous working relationships with an idea champion have been negative, resistance may occur.

3. **Uncertainty**
   
   *Uncertainty* is the lack of information about future events.
   
   Uncertainty represents a fear of the unknown, as employees do not know how a change will affect them.
   
   Uncertainty is especially threatening for employees who have a low tolerance for change and fear the unusual.

4. **Different assessments and goals**
   
   Employees who will be affected by innovation may assess the proposed change differently than an idea champion or new-venture team.
   
   Critics voice legitimate disagreements over the proposed benefits of a change. These reasons for resistance are legitimate in the eyes of employees affected by the change.
   
   The best procedure for managers is not to ignore resistance, but to diagnose the reasons for resistance to change and design strategies to gain acceptance by users.
   
   Strategies for overcoming resistance to change typically involve two approaches: the force field technique and use of selective implementation tactics.
MANAGER’S SHOPTALK

Making Change Stick

Harvard professor John P. Kotter established a plan for implementing change:

• Establish a sense of urgency in the market
• Form a powerful coalition
• Create a vision for change
• Empower others to act on the vision
• Plan for visible, short-term performance improvements
• Consolidate improvements, reassess change, adjust
• Articulate the relationship between then new behaviors and success

Discussion Question #6: Why do organizations experience resistance to change? What techniques can managers use to overcome resistance?

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B. Force Field Analysis

Force field analysis suggests that change is a result of the competition between driving and restraining forces.

Driving forces can be thought of as problems or opportunities that provide motivation for change within the organization.

Restraining forces are the various barriers to change, which could be things such as a lack of resources, resistance from middle managers, or inadequate employee skills.

By selectively removing the barriers that restrain change, the driving forces will be strong enough to enable implementation of the innovation.

An Ohio manufacturer found that driving forces (opportunities) of Just in Time (JIT) inventory were not sufficient to overcome the restraining forces (barriers).

Cost savings and quicker response time of JIT could not overcome a slow freight system, inadequate worker skills, and union resistance.

Managers attacked the barriers, and reduced restraining forces, the driving forces were sufficient to allow the JIT system to be implemented.
Discussion Question #7: Explain force field analysis. Analyze the driving and restraining forces for a change with which you have been associated.

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C. Implementation Tactics

The other approach to managing implementation is to adopt specific tactics to overcome employee resistance.

The following tactics, which have been successful in implementing change:

1. Communication and Education

*Communication and education* are used when users and others who may resist implementation need solid information about the change.

Education is important when the change involves new technical knowledge or the users are unfamiliar with the idea.

Canadian Airlines spent a year and a half preparing and training employees before changing its reservation, airport, cargo, and financial systems.

2. Participation

*Participation* involves users and potential resisters in designing the change.

This approach is time consuming, but it pays off because users understand and become committed to the change.

Participation also helps managers determine potential problems and understand the differences in perceptions of change among employees.

GM involved supervisors in the design of the new appraisal system and managers dropped their resistance to it.

3. Negotiation

*Negotiation,* a more formal means of achieving cooperation, uses formal bargaining to win acceptance and approval of a desired change.

Companies that have strong unions frequently must formally negotiate change with the unions; the change may become part of the union contract.

When GM changed Saturn, it negotiated labor rules with the Union Auto Workers.

4. Coercion

*Coercion* means managers use formal power to force employees to change; resisters are told to accept the change or lose rewards or their jobs.

In most cases, this approach should not be used because employees feel like victims, are angry at change managers, and may even sabotage the changes.

Coercion may be necessary in crisis situations when a rapid response is urgent.
5. Top Management Support

The visible support of top management also helps overcome resistance to change.

This symbolizes to all employees that the change is important for the organization.

Without top management support the desired change will probably not happen.

At Remploy, the UK’s top employer of disabled people, communication has been the key to smooth implementation of significant changes at the factories.

V. TYPES OF PLANNED CHANGE

The types of organizational change are strategy, technology, products, structure, and culture/people.

Organizations may innovate in one or more areas depending on internal and external forces for change.

A change in one area may affect other parts of the organization; a new product may require changes in technology, and a new technology may require new people skills.

A. Technology Changes

Technology change pertains to the organization’s production process or how the organization does its work.

Technology changes are designed to make the production of a product or service more efficient---automatic mail-sorting machines adopted by the U.S. Postal Service.

How can managers encourage technology change? The general rule is that technology change is bottom-up.

The bottom-up approach means that ideas are developed at lower organization levels and channeled upward for approval.

Lower-level technical experts act as idea champions; they invent and champion technological improvements.

A rigid, centralized structure stifles technological innovation; a top-down approach to technology change usually does not work.

A loose, flexible, decentralized structure provides employees with the freedom and opportunity to initiate continuous improvements.

Companies often have an ambidextrous approach, which means structures and processes appropriate for creation and implementation of innovations.

Honda uses teams of young staff members to explore new ideas; the teams are given the authority to do whatever is needed to develop new technologies.

Discussion Question #9: To what extent would changes in technology affect new products and vice versa? Compare the process for changing technology and that for product change.
B. New-Product Changes

A new-product change is a change in the organization’s product or service output.

New-product innovations have major implications for an organization, because they often are an outcome of a new strategy and may define a new market.

Product life cycles are getting shorter so companies need to continuously come up with innovative ideas for new products and services to meet the needs in the market place.

Companies that successfully develop new products tend to have the following characteristics:

- Have a good understanding of customer needs.
- Are aware of new technological developments.
- Key departments cooperate in the development of a new product.
- Ideas for new products typically originate at the lower levels of the organization just as technology changes.

The difference is that new-product ideas flow horizontally among departments.

Product innovation requires expertise from several departments simultaneously; a new product failure is often the result of failed cooperation.

1. Horizontal Linkages

One approach to successful new-product innovation is called the horizontal linkage model.

In this model research, manufacturing, and marketing must simultaneously develop new products.

People from these departments meet frequently in teams and task forces to share ideas and solve problems; researchers inform others about new technology.

When the horizontal linkage model is used, the decisions about developing a new product are joint ones.

Many firms include customers, strategic partners, and suppliers in the product and service department process, in line with the open innovation approach.

2. Fast Cycle Teams

These trends are in response to the pressures for developing and commercializing products and services incredibly fast.

Sprinting to market requires a parallel approach or simultaneous linkage among departments.
This kind of teamwork is similar to a rugby match wherein players run together, passing the ball back and forth as they move downfield.

A fast cycle team is a multifunctional team that is provided with high levels of resources and empowerment to accomplish an accelerated product development project.

Fast cycle teams at Moen take a new kitchen or bath faucet from drawing board to store shelf in only 16 months.

**Discussion Question #2:** A manager of an international chemical company said that very few new products in her company were successful. What would you advise the manager to do to help increase the company’s success rate?

**Notes**

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C. Structural Changes

*Structural change* pertains to the hierarchy of: authority, goals, structural characteristics, administrative procedures, and management systems

Almost any change in how the organization is managed falls under the category of structural change.

Examples of structural change include shifting to a team-based structure, implementing policies regarding e-mail, and revising payroll systems.

Successful structural change is through a top-down approach, which is different from technology change (bottom-up) and new products (horizontal).

Structural change is top down because the expertise for administrative improvements originates at the middle and upper levels of the organization.

Lower-level technicians have little interest or expertise in administrative procedures.

Top-down change does not mean that coercion is the best implementation tactic; implementation tactics include education, participation, and negotiation.

**Discussion Question #4:** Carefully planned change often is assumed to be effective. Do you think unplanned change can sometimes be beneficial to an organization? Discuss.

**Notes**
VI. CULTURE/PEOPLE CHANGES

What is involved in culture/people change?

Changes in structure, technologies, and products or services do not happen on their own, and changes in these areas require changes in people.

Employees have to adopt new, collaborative ways of thinking and acting, which managers have to be willing to give up control and empower teams to make decisions.

Culture/people change refers to changes in employees’ values, norms, attitudes, beliefs, behavior.

Changes in culture and people pertain to how employees think; these are changes in mindset rather than technology, structure, or products and services.

People change pertains to just a few employees. Culture change pertains to the organization as a whole.

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UNLOCKING CREATIVE SOLUTIONS THROUGH TECHNOLOGY

Nestlé: Making “E-business the Way We Do Business

Leaders at Nestlé USA are turning to the Internet to change everything about how the giant company operates, from buying raw materials to procession purchase orders, to marketing the company’s 2000 or so products. Change began at the top; top managers moved their offices down several floors to work with people in the trenches. Another change was to outlaw meetings after 10 a.m. on Friday because too much time was spent in meetings. But the biggest change was the Internet strategy, making e-business an integral part of every division and department. Managers believe that with careful implementation, the changes will take root and become the everyday way the company does business.

A. Training and Development

Training is one of the most frequently used approaches to changing the organization’s mind-set.

A company may offer training programs to large blocks of employees on subjects such as teamwork, diversity, emotional intelligence, quality circles, communication skills, or participative management.

Leading companies also want to provide training and development opportunities for everyone.

B. Organizational Development

Organizational development (OD) is the application of behavioral science to improve an organization’s health and effectiveness through its ability to cope with environmental changes, improve internal relationships, and increase learning and problem-solving capabilities.
OD improves working relationships among employees.

The following are problems that OD can help manager’s address:

- **Mergers/acquisitions (M/A).** The disappointing financial results in many M/A are caused by the failure of executives to determine whether the administrative style and corporate culture of the two companies fit.

  They fail to recognize the firms may have widely different values, beliefs, and practices.

  These differences create stress and anxiety for employees, and these negative emotions affect future performance.

  OD experts can help smooth the integration of the firms.

- **Organizational decline/revitalization.** Organizations undergoing a period of decline and revitalization experience a variety of problems such as: low level of trust, lack of innovation, high turnover, and high levels of conflict and stress.

  The period of transition requires opposite behaviors to include confronting stress, creating open communication, and fostering creative innovation.

  OD techniques can contribute greatly to cultural revitalization by: managing conflicts, fostering commitment, and facilitating communication.

- **Conflict management.** Conflict can occur at any time and place within a healthy organization.

  OD efforts can help solve conflict problems.

**Discussion Question #10:** Do the underlying values of organizational development differ from assumptions associated with other types of change? Discuss.

**Notes**

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**C. OD Activities**

OD activities that have emerged in recent years include:

- **Team-Building Activities** enhance the cohesiveness and success of organizational groups and teams.

- **Survey-Feedback Activities** begin with an employee questionnaire asking about items such as values, climate, participation, leadership, and group cohesion.

  An OD consultant provides feedback to the employees regarding their responses and problems identified from the survey or questionnaire.

- **Large Group Interventions** are more attuned to bringing about fundamental organizational change in today’s complex, fast-changing world.
Large group intervention brings together participants from all parts of the organization to discuss problems or opportunities and plan for change.

GE’s Work Out Process forces a rapid analysis of ideas, the creation of solutions, and the development of a plan for implementation.

D. OD Steps

The distinct steps for achieving behavioral and attitudinal change include:

- **Unfreezing** Participants must be made aware of problems and be willing to change.

  This step is often associated with *diagnosis*; an outside expert called a *change agent*, an OD specialist, performs a systematic diagnosis of the organization. The diagnosis identifies work-related problems.

- **Changing**, occurs when individuals learn new skills to be used in the workplace.

  This is sometimes known as intervention, during which the change agent implements a plan for training managers and employees.

  This may include: team building, survey feedback, intergroup coaching, process-consultation, and symbolic leadership

- **Refreezing** occurs when individuals acquire new attitudes or values and are rewarded for them by the organization.

  The impact of new behaviors is evaluated and reinforced; the change agent supplies new data that show positive changes in performance.

  Changes are institutionalized in the organizational culture, so that employees begin to view the changes as a normal, integral part of the organization.

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**UNLOCKING CREATIVE SOLUTIONS THROUGH PEOPLE**

*Alberto-Culver Gets a Cultural Makeover*

Alberto-Culver had suffered from general overall employee dissatisfaction, a turnover rate that was double the national average, and deflated sales. The change process began by letting everyone know where the company stood and where it needed to go (unfreezing). The next stage (changing) involved creating a specific plan for change. One step was to develop a list of ten cultural imperatives. Another was to create a specific role called the *growth development leader*. Finally, the CEO found ways to make the changes stick (refreezing). At every opportunity, managers reinforce the central cultural tenet that individuals can make a difference, and that companies don’t succeed—people do.

**Discussion Question #11:** How do large-group interventions differ from OD techniques such as team-building and survey feedback?
FORCE FIELD ANALYSIS

Concept
Force field analysis is a management technique in the field of social sciences, for diagnosing situations. It may be useful when looking at the variables involved in determining effectiveness of and when planning and implementing a change management program and will undoubtedly be of use to a company with team building efforts. In any situation there are both driving and restraining forces that influence any change that may occur.

Driving Forces
Driving forces are those forces affecting a situation that are pushing in a particular direction; they tend to initiate a change and keep it going. In terms of improving productivity in a work group, pressure from a supervisor, incentive earnings, and competition may be examples of driving forces.

Restraining Forces
Restraining forces are forces acting to restrain or decrease the driving forces. Apathy, hostility, and poor maintenance of equipment may be examples of restraining forces against increased production. Equilibrium is reached when the sum of the driving forces equals the sum of the restraining forces.

Equilibrium
This equilibrium, or present level of productivity, can be raised or lowered by changes in the relationship between the driving and the restraining forces. Consider the dilemma of the new manager who takes over a work group in which productivity is high but whose predecessor drained the human resources. The former manager had upset the equilibrium by increasing the driving forces (that is, being autocratic and keeping continual pressure on subordinates) and thus achieving increases in output in the short run.

By doing this, however, new restraining forces developed, such as increased hostility and antagonism, and at the time of the former manager's departure the restraining forces were beginning to increase and the results manifested themselves in turnover, absenteeism, and other restraining forces, which lowered productivity shortly after the new manager arrived. Now the new manager faces a new equilibrium at a significantly lower productivity. Now just assume that a new manager decides not to increase the driving forces but to reduce the restraining forces. The manager may do this by taking time away from the usual production operation and engaging in problem solving and training and development. In the short run, output will tend to be lowered still further. However, if commitment to objectives and technical know-how of the group are increased in the long run, they may
become new driving forces, and that, along with the elimination of the hostility and the apathy that were restraining forces, will now tend to move the balance to a higher level of output.

Managers are often in a position in which they must consider not only output but also intervening variables and not only short-term but also long-term goals. It can be seen that force field analysis provides framework that is useful in diagnosing these interrelationships.

Integration of Goals and Effectiveness

The extent that individuals and groups perceive their own goals as being satisfied by the accomplishment of organizational goals is the degree of integration of goals. When organizational goals are shared by all, the term goal congruence can be used.

CHANGE THROUGH ORGANIZATIONAL GROWTH

An organization developmental theory is helpful in change management when examining the problems associated with growth on organizations and developing a proactive framework to cope with such situations.

It can be argued that growing organizations move through five relatively calm periods of evolution, each of which ends with a period of crisis and revolution.

- Each evolutionary period is characterized by the dominant management style used to achieve growth, while
- Each revolutionary period is characterized by the dominant management problem that must be solved before growth will continue.

Creativity / Leadership

The first stage of organizational growth is called creativity. The founders dominate this stage and the emphasis is creating a product and a market.

Direction / Autonomy

It is at this point that the crisis of leadership occurs and the first revolutionary period begins. "Who is going to lead the organization out of confusion and solve the management problems confronting the organization?" The solution is to locate and install a strong manager "who is acceptable to the founders and who can pull the organization together."

Delegation / Control

It is difficult for top managers who were previously successful at being directive to give up responsibility. Moreover, lower level managers are not accustomed to making decisions for themselves. As a result numerous organizations flounder during this revolutionary period, adhering to centralized methods, while lower level employees grow more disenchanted and leave the organization.

Coordination / Red Tape

A more effective solution tends to initiate the next evolutionary period—the coordination stage. This period is characterized by the use of formal systems for achieving greater coordination with top management as the "watch dog."

Collaboration /?
If the crisis of red tape is to be overcome, the organization must move to the next evolutionary period - the phase of collaboration. While the coordination phase was managed through formal systems and procedures, the collaboration phase "emphasizes greater spontaneity in management action through teams and the skillful confrontation of interpersonal differences. Social control and self-discipline take over from formal control."

**Answers To End-Of-Chapter Discussion Questions**

1. *A manager for an international chemical company said that very few new products in her company were successful. What would you advise the manager to do to help increase the company’s success rate?*

   The manager should understand that all companies have a poor success rate with new products. However, new products involve a great deal of risk, so that improving the new-product development process can bring major benefits to organizations. Based on the horizontal linkage model, the manager should explore three things. First, do people in marketing have a good understanding of customer needs? Marketing must know the customer well, not only through market surveys but through face-to-face contact. Second, does the R&D department have an understanding of the latest technology? It should bring the latest techniques to bear in the design of new products. Next, and perhaps most important, are members from key departments cooperating in the development of new products? Do the research and development specialists listen to what marketing people have to say about customer needs? Do marketing people listen to what R&D has to say about new technological developments and work with it to decide how these developments can be used in new products? Only by selflessly working together can these departments increase the rate of success of new produce. If each department fails to do its own job, or fails to cooperate with other departments, new products have little chance.

2. *What are internal and external forces for change? Which force do you think is the major cause of organizational change?*

   Internal forces for change arise from within the organization. Internal forces could be new goals set by management; Internal problems that must be solved, such as production inefficiency; or conflicts between departments or between management and the union. External forces originate in the External environment. External forces for change originate in all environmental sectors, including customers, competition, legislation, labor supply, suppliers, professional associations, consultants, or technological breakthroughs. Any of these External forces can affect the way the organization does business and hence require Internal adaptation. Generally speaking, External forces are the major cause of organizational change. As described in earlier chapters, organizations are open systems. To survive and prosper, they must continuously adapt to changes in the External environment.

3. *Carefully planned change often is assumed to be effective. Do you think unplanned change can sometimes be beneficial to an organization? Discuss.*
Yes, unplanned change can be beneficial. Many shifts in the environment will be unanticipated. The organization will have to respond at the moment, and a successful response will be good for the organization. The idea of planned change is not to develop a repertoire of changes but to be prepared to change in an orderly and timely fashion. The organization must anticipate whatever changes it can and be ready to respond to unanticipated ones. Because every organization is caught by surprise, the important thing is to make the best of unplanned changes that occur.

4. *Why do organizations experience resistance to change? What techniques can managers use to overcome resistance?*

Most resistance to change rests with individual employees. Employees often appear to resist change for the following reasons: (1) self-interest, because they believe that the change will take away something of value; (2) failure to understand the intended purpose of change or distrust of the intentions behind the change; (3) fear of the unknown, which may make some employees nervous or anxious about how the change will affect them; and (4) legitimate resistance because the employee has different goals and a different assessment about whether the change will help the organization achieve its goals.

In the eyes of employees who are resisting change, their resistance is logical and well-founded. Hence, implementation tactics include: (1) abundant communication and education about the nature of change and its value for employees; (2) encouraging users and potential resisters to participate in the design of the change, which will help them overcome resistance and encourage understanding; (3) negotiation, which uses formal bargaining to win acceptance and approval of a desired change; (4) engaging top management support, which symbolizes to all employees that the change is important for the organization; and (5) coercion, which makes use of formal power to force employees to change. Coercion should only be used when resisters cannot be won over by any other means.

5. *Explain force field analysis. Analyze the driving and restraining forces for a change with which you have been associated.*

Force field analysis analyzes the change with respect to the social forces impinging on it. Kurt Lewin proposed that change was the result of competition between driving and restraining forces. By identifying and analyzing these forces, managers can enhance the driving forces and reduce the restraining forces, thereby enabling the change to be implemented.

There is no correct answer for the analysis of the change with which a student has been associated. What is important is to practice analyzing the social forces that work in favor of a change and those that resist a change. In that way the student can learn to understand and use force field analysis.
6. **Define the roles associated with an idea champion. Why are idea champions so essential to the initiation of change?**

An idea champion is a person who sees a need for productive change and then champions it to solve a problem for the organization. Idea champions typically play one or more of three roles. The inventor develops a new idea and understands its technical value. The champion believes in an idea, visualizes what it can do for the company, and gains the political and financial support needed to bring it to reality. The sponsor is a high-level manager who approves the idea, protects it, and removes major organizational barriers to acceptance.

The idea champion role is important because change does not occur by itself. Personal energy and effort are required to successfully promote a new idea. Intrapreneurs fight to convince managers of the merit of a new idea and provide the passionate commitment needed to push a new product or idea through to completion despite rejection by others.

7. **To what extent would changes in technology affect products and vice versa? Compare the process for changing technology and that for product change.**

Some improvements in production technology may be limited to efficiency and will not change product outcomes, but many changes in technology affect products, and vice versa. For example, when Apple designed the Macintosh computer, the company simultaneously designed a new production technology that was highly automated and enabled the assembly of hundreds of Macintoshes an hour. A company like Ford must retool its production technology when a new car is designed and manufactured.

Despite the influence of technology on products, and vice versa, the process for managing these two types of change is somewhat different. Technology change is usually a bottom-up approach. This means that engineers and production people working at the lower levels of the organization, who are experts on the technology, are typically responsible for assessing needs and proposing changes. These changes are then approved by top managers. Changes in products, by contrast, are characterized by the horizontal linkage model. New products may require changes in marketing, research and development, manufacturing, and perhaps other departments. People from all of these departments must therefore work together to simultaneously develop the new product. Linking these people means that the latest technology, manufacturing constraints, and market needs are all reflected in the product, which then has a greater chance for success.

8. **Given that structural change is often made top down, should coercive implementation techniques be used?**

Coercive implementation should not be used unless other techniques have been exhausted, even for structural, top-down change. Top managers can engage employees in commitment to the new change through communication and education, participation in the design of the change, and negotiation. Coercion should only be
used if employees resist vehemently, or if there is a crisis that demands an immediate response to save the company. Top managers should not exploit their position of power over lower-level employees by relying on coercion as an implementation technique.

9. **Do the underlying values of organizational development differ from assumptions associated with other types of change? Discuss.**

This question is designed to stimulate student thinking and discussion, and there is no single correct answer. The underlying values and assumptions of OD were made explicit in the chapter. They include: “people desire personal growth and development,” “work groups can satisfy important needs for individuals,” and “organizations can be designed to meet the needs of individuals and groups and enhance their contributions to organization performance.” These assumptions and values have a humanistic quality and are primarily concerned with human values within the organization.

Values and assumptions for technology, structure, and product changes were not explicitly described in the chapter. Students should be encouraged to think about what the underlying values are. They might conjecture that the primary value is to increase organizational efficiency and effectiveness. They may also mention that little credibility is given to the human side of change because it is assumed that performance can be improved through changes in technology, products, and structure. Another difference in assumption might be called rationality; that is, rational procedures are used to initiate and implement change. Technology, products, and structural changes are presumed to arise to meet genuine needs, and it is expected that people will go along with these changes if they understand the needs. Often human beings do not act in rational ways, however, and the OD approaches tend to display an appreciation for the complex needs and behaviors of employees.

10. **How do large-group interventions differ from OD techniques such as team-building and survey feedback?**

The large-group intervention approach brings together participants from all parts of the organization--often including key stakeholders from outside the organization--to discuss problems or opportunities and plan for change. A large-group intervention might involve 50-500 people and last several days. The idea is to include everyone who has a stake in the change, gather perspectives from all parts of the system, and enable people to create a collective future through sustained, guided conversation and dialogue. This process will permit team building, which can be comprised of a task force or project team and then disbanded once their recommendations are forthcoming.

Organizational development (OD) is the application of behavioral science knowledge to improve an organization’s health and effectiveness through its ability to cope with environmental changes, improve internal relationships, and increase problem-solving capabilities. Organizational development improves working relationships among employees. The survey feedback questionnaire technique is an
organization development program. Survey feedback begins with a questionnaire distributed to employees on values, climate, participation, leadership, and group cohesion within their organization. After the survey is completed, an OD consultant meets with groups of employees to provide feedback about their responses and the problems identified. Employees are engaged in problem solving based on the data.

Team building enhances the cohesiveness and success of organizational groups and teams. For example, a series of OD exercises can be used with members of cross-departmental teams to help them learn to act and function as a team. An OD expert can work with team members to increase their communication skills, facilitate their ability to confront one another, and accept common goals.

**Teaching Note for Experiential Exercise**

**Is Your Company Creative?**

An organization’s culture has a tremendous influence on how receptive employees are to change. This in turn influences the effectiveness of an attempted organizational change. This exercise measures the culture/climate of an organization for which students worked or with which they are familiar. Once students have completed the questionnaire and have determined how effectively their organization fosters creativity, ask them to consider how important creativity is to the success of that organization. Some organizations may not benefit substantially from creativity. Of course, many would argue that creativity and innovation are becoming increasingly important to most organizations given the complexity and rate of change in the external environment (e.g., international competition). You might ask students to identify specific actions organizations can take to foster creativity. What actions stifle creativity?

**Teaching Note for Ethical Dilemma**

**Research for Sale**

Reed Pharmaceuticals made a commitment to the project, and Jackson has a right to ask them to at least honor their commitment to employees by allowing them to return to other projects at the company after the cancer research project is sold (Option 1). If Jackson chooses Option 2, she is not honoring her own commitments to those she recruited for the team. She has assured team members that Reed is committed to the project and she owes it to them to try to make sure they still have alternative jobs if they do not want to move to Trichem. Option 3 is risky, and might only mean that team members end up with no jobs at all. The sale is probably going to happen, and the project will be moved to Trichem with or without the team members moving with it.

**Surf the Net**
1. **The Learning Organization.** Student responses will vary in reporting of Peter Senge’s book review of *The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations*.

2. **New-Venture Team.** At the heart of Xerox PARC's research agenda are five strategic themes, Smart Matter, Emerging Document Types, Knowledge Ecology, Network Devices and Document Services, and Document Information Fabric. Student responses may vary as to PARC’S inventions. Internet Standards PARC scientists are playing a leading role in designing the protocols that will govern and define how the Internet will work in the future. The "M-Bone" multicast backbone, a collaboration between PARC and several universities from around the world, was first implemented at PARC and has been delivering real-time video over the Internet since 1992. Currently, a PARC research team has been chosen by the World Wide Web Consortium to lead the design for the next generation of HTTP. This is the most recent technological development.

3. **Survey Feedback.** Student responses will vary pertaining to on-line survey questions developed by Stanard and Associates. Our core survey contains 51 items measuring 16 core facets of organizational climate. It was also designed with flexibility in mind because they have provided space for you to add up to 15 items specific to your organization. Some of the "core" survey categories include:

   - Advancement Opportunities
   - Communications Customer and Quality Orientation
   - Empowerment
   - Management
   - Recognition
   - Supervisor

The Survey Process

1. Establish survey objectives; develop survey content
2. Outline schedule for survey administration
3. Administer survey to target population; monitor survey returns
4. Interpret results, summarize data, and provide comment highlights
5. Share results with participants; identify important issues to be addressed immediately; create action-planning process; develop short-term plans
6. Communicate action plans to employees; implement short-term plans
7. Identify important issues to be addressed over a longer period of time; develop long-term action plans
8. Communicate action plans to employees; implement long-term plans
9. Evaluate whether survey objectives were met

**Case for Critical Analysis Solution**

**Southern Discomfort**
1. Assume you want to lead the change to save the Oconomo plant. Describe how you would proceed, using the four stages of the change process described in the chapter—forces, need, initiation, and implementation?

In leading the change to save the plant, the four stage model of planning for change would be utilized. The first stage is forces for change. Forces for organizational change exist both in the external environment and within the organization. Jim Malesckowski must be aware of the external forces such as a lower cost of wages if Oconomo would move to Mexico. Jim must be aware of the additional cost if the company would move to Mexico. Recruiting and selection would have to be undertaken along with orientation and training of the local labor force. Internally, Jim must be prepared and understand that productivity may be lost if the company would move. In addition, product quality is an important concern and may be maintained if the company remains in Wisconsin.

Secondly, the need for change is based on the economic cost of operations when comparing it to the Wisconsin facility. External or internal forces translate into a perceived need for change within the organization. Managers sense a need for change when there is a performance gap. Jim should plan a presentation showing how productivity and quality will decrease if this plant would relocate. The organization culture would change dramatically, and the company must be prepared to deal with a different work ethic in Mexico.

The initiation phase of the change process necessary in planning the move to Mexico will involve a significant change in this company’s philosophy of management and would necessitate a radical shift in the management application. The change in a foreign national’s host country setting will reflect a management application that is not conducive to the Mexican culture. The legal and political change will be paramount and may not be conducive to our company’s objectives. Bribes and kickbacks are a way of doing business in Mexico, however illegal in the United States.

Jim must argue for the implementation of a new plant in Mexico. A new idea will not benefit the organization until it is in place and being fully utilized. There will be employee resistance and the Union will counter with sit-downs, slow-downs, and the possibility of a wildcat strike. Finally, the Mexican Government may have a mandate to own a percentage of this plant. This governmental interference would not be in the company’s best interest as it attempts to satisfy stockholders.

2. What is the primary type of change needed--technology, product, structure, or people/culture? To what extent will the primary change have secondary effects on other types of change at the Oconomo factory?

The primary change is the people/culture. A people/culture change reflects upon employee values, norms, attitudes, beliefs, and behavior. Changes in culture and people pertain to how employees think; these are changes in mind-set rather than technology, structure, or products. Cultural change pertains to the organization as a whole.
This primary change will have secondary effects of restructuring the organization, product changes, and degree of technology changes. There will be employee resistance to this type of change, and there must be planning for this type of change to overcome any employee resistance. Management must be cautious because there will be a lack of understanding and trust when plant relocation is discussed with employees.

3. What techniques would you use to overcome union resistance and implement change?

The technique utilized to overcome union resistance would be the utilization of different assessments and goals. The union’s objective would be job security and job protection. The company’s objective would be profit, or in this case, cost savings to improve the return on invested capital.

Overcoming resistance would be accomplished by remaining in Wisconsin or by offering employees a relocation package or a severance package for those who could retire.