CHANGE MANAGEMENT (MGMT625)

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LESSON # 1

COURSE ORIENTATION

Norms Setting

Most of the time first or earlier sessions are meant to build norms which entail course expectations, scope and objectives of the course and host of consideration for understanding and learning this course appropriately.

Course Expectations

What is considered essential for the student of advanced courses on Management like this one is to have good grasp over pre-requisite or fundamental courses of management such as "Principles of Management", "Human Resources Management" and "Organization Behavior". Therefore unless you are well versed with the basic management concepts better understanding and comprehension of this course will be difficult.

As this is an advanced course on management so in case of difficulty or to seek clarification - you have to be in an interactive mode (and to give us feed back very regularly).

Course objectives

1. To develop significant level of understanding of change-management literature: conceptual framework, theories, typologies, strategies and techniques.

2. To understand change-management phenomenon – especially how managers successfully manage change in organization.

3. Over this entire course is designed to help students in building and developing their analytical and applied management skills in context of business organizations.

Learning the Subject's Vocabulary

Every subject or discipline has its own vocabulary and terminology. For examples doctors, engineers & accountants express themselves in the language of their profession not only when they are on job but also in social domain as well. Why? Because the professional training and approach they learn and develop also influences their socio-psychological thinking and life style and facilitates for resolving problems in ordinary day life. The subject we are concerned with is more related with social behavior than that of medicine, engineering and accounting etc. Therefore imperative for us is not only to learn and understand but one has to develop ability to express ordinary day life phenomena in the subject's vocabulary.

Reading material

Books: Understanding Organization by Charles Handy, published in 1976
Gods of Management by Charles Handy in 1995
Organization Culture and Leadership by Edgar Schein
Change Management: A Guide to Effective Implementation, by Robert Paton & Mc Calman

Articles: I particularly emphasize students to develop a practice to follow and rely on research articles more than books. Nonetheless one thing is important to know that not all published and available articles especially on internet have authenticity and credibility. I recommend only those published in the leading and international research journal such as available on HEC data base, or now the Google Scholar is an important source of getting access to the scholars of repute. Therefore students must have the skills to differentiate good reading material from that of academically junk substance. Here is one such criterion to identify and hunt for good article. First is to know the author, his qualification, repute and belongingness (to any school, institution or university). Second is through the quality of publication (where it gets published?). Normally journals have reputation and ranking in terms of prestige and impact. For instance related to management (and change

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management) such journals are ranked as of higher order quality like Academy of Management Review, Administrative Science Quarterly, Organization Studies, Journal of Management Studies, Journal of Organization Behavior and Human Relations to name few. Finally, articles are considered of better worth for their citation in references or the article is written by using quality and authentic references. Journal of Change management is also suggested in particular for students to follow throughout the course.

A good starting point would be to consult Managing change through manager and organization development (Chapter-1 of Harold Koontz's text book on management) Management: A Global Perspective 10th edition.

Organization Change and Stress Management (Ch -17 of Stephen P. Robbins text book on Organizational Behaviour)

Similarly Frederick Luthan's book on organization is also generally relevant where he talked about managing diversity, learning, creating and designing organization culture

Other leading authors on the subject which a student must consult are Chris Argyris, Edgar Schein, D. Schon, Peter Senge, Karl Weick, Peter Drucker, Hannan & Freeman, Quinn, James March, Herbert Simon, Michael Beer, Nohria

The HEC's digital library provides access to these leading scholars and journals through data bases like J-store; Springer link etc

Examination & Assessment Perspective (Knowledge, Analysis, Evaluation & Application)

Students are required to possess, develop and demonstrate the following set of skills from examination point of view. First is to have knowledge and understanding of terms, definition of the specific content and subject. Moreover, they should be able to analyze the problems and issues by differentiating and distinguishing concepts, implications of theories and making valid generalization and inferences. Third is evaluation. Different scholars use different concepts for similar observed phenomenon and come forth with the same term or concept but with different meanings and explanations. Therefore academics are concerned with coining terms and giving meaning which often compete with each other. The job of a student is to comprehend, evaluate and synthesize such differing and competing ideas, models and explanations. Final is the application of generalizations and theories in particular context of organization and nations. For example organizations differ with each other in terms of their context (size, number and industry etc.) Therefore students ought to know the application of any theory model or concept which is relevant and valid. The skills which are valued most and considered superior by Examiners at this stage and in this subject are of analysis, application and evaluation as against mere possession of knowledge which is just a function of memory. As far as application is concerned student must take caution or special note of level of analysis while describing or applying any concept related to change management. The level of analysis may be individual, group like department or production unit, business or corporation, organization or nation etc. Similarly it may be public or corporate sector, or small, medium or large organization.

Another important advice for students to improve their performance is to develop following learning skills and styles which are: Listening, Reading, Speaking and Writing. Different people exhibit their reliance on different types of skills. Some are good reader while others are good speaker, listener and writer or in some good combination of these skills. Though all four types of skills are considered equally important in personality development and performance of an individual yet if we need to prioritize for students it is the writing skills which are of utmost value. Students cannot translate their potential into actual without having good writing skills. Teachers and Examiners know and evaluate their student on this attribute as examination is heavily oriented towards this activity. Therefore students ought to focus themselves to cultivate this type of skills. On the significance of these skills the recommended article to go through is 'Managing Oneself'

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written by Peter Drucker, published in the Harvard Business Review, March – April 1999, and this can be accessed through the HEC's digital library.

One Important Instruction
Please go through the original text or articles of author referred and recommended at the end of these lecture handouts, and do not merely rely on video lectures and lecture handouts only. Reading original article is mandatory and has no alternative, and as redundancy and repetitions stands essential to enhance learning effectively

Scope of the subject
The subject is of integrated nature related with multiple disciplines and has got diverse and kaleidoscopic application. For instance this is closely related with other subjects like Strategic Management, Organization Development, Training or Management Development, Knowledge Management and Organizational Learning. This is pervasive in nature and is widely applicative from individual, organization or nation in perspective. From individual's perspective – learning means change in knowledge, skills and attitude. Similarly individual has to manage changes taking place not only on the job but also socially. Learning appropriate behaviour and role and to strike balance between workplace and family is the concern of all. The training programmes either formal or informal are by design managing change whether the purpose is formation of general managerial values or up gradation of technical skills seek direct application of this course. Similarly with the onslaught of globalization, structural changes in world politics and rapid transformation on International economics has made traditional, stable and bureaucratic organization highly vulnerable. With such type of on-going qualitative changes the foremost objective of organization becomes its survival and to avoid what is known as organizational extinction. At the same societies like us are also in transition from agrarian to industrial, rural to urban, traditional to modern all the more emphasizing the need to study this phenomenon.

Specifically from the organization perspective the purpose of this advanced course on management is just like the same as that of basic course, principles of management. The perpetual concern of management is to learn or to manage so as to enhance productivity of a manager or for organization to achieve its goals effectively and efficiently. Therefore imperative for organization is to manage changes going on at two levels: one at external environmental level and second is at internal managerial level. For change at external level means organization to manage change relations vis-à-vis change in government policies, change in technology, change in customers' preferences or taste, change in society' expectations. Similarly extraneous change always impacts the internal dynamics of organization. Consequently organizations have to renegotiate terms with individuals, resource allocation pattern and budgeting preferences may change leading to restructuring and downsizing and processes like decision making, controlling and communicating could be centralized. Similarly the trend could be diametrically opposite given the change at extraneous level conducive for growth; organization may develop new products, new markets owing to expansion in the market and industry and as such organization decentralizes its operations. In either case anticipating change and at appropriate timings moving in the right direction is imperative.

Why to study Change Management?
Its answer given by some leading expert of the subject as under

"The next few decades will bring about an avalanche of change and that most people and organisations will not be prepared for the vastly accelerated pace of change."

Alvin Toffler, Future Shock (1970)

Here followings variables are highlighted:

- Rate or pace of Change
- Quality and quantity of change
- Individuals
- Organizations

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- Un-preparedness

"If we could understand the ways in which individuals were motivated we could influence them by changing the components of that motivation process."

Charles Handy, Understanding organizations, (1976)

Three things focussed here

- Individuals
- Changing the components
- Motivation Process

The underlying theme here is that individuals can be control and their behaviour can be predicted in a scientific or methodological manner which is the focus of this subject. The focus of subject like management and change management is how to control, predict and motivate human behaviour for productivity enhancement.

According to Schein, "Learning that creates stability and culture is different from the learning that enables organisations to innovate as they encounter changing conditions in both their external and internal environment."
Edgar H Schein, Models and Tools for stability and Change in Human System, (Society for Organisational Learning & MIT; 2002)

Here Schein referred to change phenomena defined in terms of learning which are:

- Learning in stable organisation
- Learning in changing or innovative Organization
- Interaction with internal and external environment

This means learning attributes in stable environment is distinct from learning characteristics in dynamic environment. Change takes place by reconciliation among forces internal to the organization and external to the organization.

Another popular paradigm to understand change at individual level, because according to one approach everything eventually rests at individuals' personality at work as he has to take action. The three dimensions are:

- Knowledge
- Skills
- Attitude

By this change means change in knowledge, skills and behaviour. It reveals of methods for change as well. For instance change in the state knowledge can right be there by reading an article or listening a lecture. Skills means repetition of knowledge or practice of knowledge like certain disciplines are skills oriented, and one cannot learn without practice, for example mathematics, accounting or computers (IT). Some level of difficulty is involved in building skills. More crucial is the third one that is to have positive attitude or behaviour towards work. For instance how to make or transform an unwilling person to work or learn into a willing one to work or learn. Adding one more level of difficulty to it, which is how to transform the behaviour of a group from non-willing to a willing one? The subject change management deals with such issues within the context of organization.

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LESSON # 2

BENEFITS AND SIGNIFICANCE OF CHANGE MANAGEMENT

Benefits and Significance

The subject matter holds a tremendous importance for both individual and organization. Let us discuss some of the benefits from organization perspective.

1. Understanding environment (society, government, customers)

It is important for organization to understand, assess and gauge the dynamics in its external environment in order to envisage and establish an appropriate relationship with various actors like government, customers and society. Therefore managers by knowing the subject of change management can better be prepared to understand whatever is going on in the environment.

2. Objectives, strategy formulation & implementation (to develop competitive advantage)

Second is consequent upon knowing the impact of change at extraneous level on its own internal dynamics, and the foremost is objective setting and seeking competitive advantage.

3. Employees (trained, high performing work practices, reliable organisation)

The employees are the recipient of change plan. One such perpetual concern of senior managers is to make organization highly reliable, therefore employees ought to be trained and high performing one in today's hyper competitive world.

4. Technology Issues

Technology is considered the engine of growth in today's world. Perhaps the greatest challenge for contemporary organizations is the acquisition and integration of technology in its strategy, structure and process. As such the concern of top managers is how to avoid organization being obsolete and how to cope and absorb the impact of changing information and communication technologies which have decisively influencing production and consumption behaviour?

5. Globalization

The management of international economic and political forces what is today known as internationalisation and globalisation is yet another important factor influencing decision making of organization. No organization or nation can stay independent and indifferent to what ever is happening at international (political) level. For instance the impact of September 11 events have been tremendous on the economies and organizations of developing countries like Pakistan. Similarly supra – national institutions are becoming more assertive over nation states not only in political terms but also on social issues like child labour and gender issues. So government and states are considered somewhat less sovereign in imposing their will over their subjects (individual and organizations) against the ever increasing and complex interdependencies amongst states. For example the compulsions and legal provisions of international treaties like WTO and ISO certification regimes have decisively influenced the organizations and economies of the developing world. Hence imperative for managers, CEOs and entrepreneurs from smaller or larger organizations alike, of different sectors of economy, is to understand the complexities of globalisation and its impact on organization' business.

The Relationship of Management with Change-Management

The relationship can be understood along the following lines. First, we have to consider that change management is a subject with cross-cutting theme, applicable across various traditional functional areas like management, marketing, production, finance and comprehensively with more recent strategic management concepts. For instance, this is related with marketing where the concern might be new product or market development, or can be related with production like the introduction or acquisition of new technology or skills. Viz. the finance - budgetary allocations, revisions and cost-cutting strategies, and for HR the concern is behavioural modification, formation and accumulation of technical and managerial knowledge, skills and values.

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Traditional management domain

Another way to look at the subject is from traditional management perspective and thinking of organizational transformation. For instance change in the PODC techniques, thereby following universal or benchmarked practices. Therefore change means variation in following techniques:

Planning
- Setting objectives
- Implementation of policies
- Decision-making

Organizing
- Formal & informal organisation
- Departmentation
- Hierarchy
- Authority- responsibility relationship
- Span of control etc.

Directing
- Leading
- Leadership styles
- Motivation theories

Controlling
- Direct & formal control
- Indirect & informal control

Strategic management domain

Within the strategic domain we have two concerns: One is Strategy formulation, that is formulating mission, vision and objectives after going through environmental assessment (a key feature of strategic management), and second pertains to strategy implementation means organisation structure, culture and politics. While the whole focus of the popular framework of strategic management is the development and sustenance of competitive advantage of a firm or organization, at multiple levels of strategy making – functional, business, corporate and societal levels.

McKinsey Seven S-Framework

One of the leading management consultants in America, and is widely quoted in management literature, has following dimensions for change to make organization a highly productive one. These are:

1. Strategy - sustained competitive advantage
2. Structure - who reports to whom or how work is divided
3. System - operations & core processes
4. Style - leadership style
5. Staff - employees/ Human resources
6. Shared values- beliefs, mindsets
7. Skills - capabilities and competencies

Overview of the subject

Similarly, within the overall context of management, the subject matter can also be understood by focussing on strategic, process, structural, cultural and political dimensions of organization. To understand management one must know the dynamics of various approaches.

1. Strategy
2. Process
3. Structure
4. Culture
5. Politics

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1. Organisation has an articulated purpose or objective

There is a kind of constant questioning, verifying, changing and re-defining of organization objectives by interacting with environment. Once objectives are revised consequently lead to modification of structure of roles & managerial process. For example the problem for entrepreneur once organization survives (overcome the entrepreneurial problem) is how to achieve growth which is problematic in the sense that he has to go for market development , overcome engineering problem so as to produce at higher level without compromising quality and administrative problem to manage and formalise role and relationship with increased number of employees. This is not only a problem of entrepreneurship based organization only but even larger and older well established organization like Multinational Companies (MNCs) tend to define and renegotiate their objectives. This according to one author is identified as Strategic Renewal.

2. Organization process

The word process refers to the transformation input to out put. For e.g. production process means conversion of raw material to finished goods. Such types of processes are technology-driven most of the time. Broadly speaking viz. a process we have two types of changes; one is known as Total Quality Management (TQM) which in essence means change on continuous and gradual basis, and is of marginal or incremental nature while Business Process Restructuring (BPR) means drastic, structural or fundamental change. The former is working 'with in the system' while later is known as 'working on the system'. Similarly in context of organization there are other processes such as decision making, objective setting, communicating, controlling & coordinating

3. Organisation structure

How authority and responsibility is distributed across the organization. Authority pattern in organization shows who reports whom and who is answerable and accountable to whom. Other dimensions of structure include departmentation or task grouping, hierarchy layers, span of control and the extent of formalization (bureaucratic or participative one). Therefore structural change may mean change in one or more dimension cited above. But most of the time organizations now a day want to make organization structure more flatter instead of taller, decentralized, participative, and humane or empowered as it is considered to be more productive and creative.

4. Organization Culture

- Values, beliefs and mind-set of a manager at work
- Cognitive style (thought process)
- Personality (MBTI)
- Behaviour

• Hofstede Model

- Individualism - Collectivism
- Masculinity - Feminism
- Power Distance - Low or High
- Uncertainty Avoidance - Low or High
- Time orientation - Low or High

• Organisation Politics

– Changes have political consequences
– Change disturbs power-distribution in organisation
– Organisation are like governments
– Managers have interests & groupings

Therefore power may enable or resist change.

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LESSON # 3

KURT LEWIN MODEL: ASSUMPTIONS AND IMPLICATIONS

Theories and models are always based on some set of assumptions. This model too has some basic assumptions which are as under:

1. An Individual or group performance is prone to regression unless some measures are taken to institutionalise the improved performance level

2. There is a tension in person whenever a psychological need or intent exists, and the tension is released when the need or intention is fulfilled.

3. This tension may be positive or negative, and under conflict situation this is identified as "force field". Hence the term is known as force field analysis so as to evaluate the tension between positive or facilitating forces and negative or constraining forces the given change plan.

Further to him there are three fundamental types of conflict.

1. Individuals stand mid-way between two positive goals of approximately equal strengths; for e.g. individual has to choose between two good systems, so which one to buy.

2. Individuals find themselves between two approximately equal negative goals; for e.g. if an individual has to make a choice between two things which he dislikes, that is a choice of lesser evil.

3. Individuals are equally exposed to opposing positive and negative forces.

These assumptions about motivation process and conflict typology in human nature lead Lewin to propose three staged model of a planned change management process.

1. Unfreeze
2. Change
3. Refreeze

Stage 1 Unfreeze the current equilibrium:
Before going for change in first stage we have to create tension amongst the recipient of change that some thing is not good in the on-going system. This is to create emotional stir up which is to break the shell of complacency and self righteousness amongst the subject of change. The reason is to break the personal defences and group norms psychologically before actually going for change. In the words of Edgar Schein this stage consists of the following attributes:

1) The physical removal of the individuals being changed from the accustomed routines, sources of information and social relationships

2) The undermining and destruction of all social support.

3) Demeaning and humiliating experience to help individual. Being changed to see their old attitude or behaviour as unworthy and thus motivated to change. Here I would like to give example of ragging of new entrants from military training. New entrants are deliberately targeted for their existing behaviour, norms and identity by the senior cadets so as to acquire new way of thinking and sociology. More over they are deprived of social support as training academies are situated at far off places and candidates are not permitted to meet their family members.

4) The consistent linking of reward with willingness to change and of punishment with unwillingness to change. Old behaviour is punished and new or desired behaviour is to be

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rewarded. There would not be any meaningful change if the change targets perceive no linkage of reward and the desired behaviour, or if the old behaviour and norms are continued to be rewarded.

For Schein Unfreeze stage must simultaneously coupled with the following characteristics:
1. Disconfirmation of expectation

2. Induction of learning anxiety if the disconfirming data are accepted as valid and relevant. There would not be any need felt for change and learning one thinks he has already perfect knowledge, and stays confident. In other words one feels discomfort able with the existing system, performance level knowledge or state of affairs. Similarly if there is no learning anxiety individuals are least pushed for change as they getting satisfaction from the existing ones. This is also known as mind blockage when people refuse to accept new or changed reality or they are in a state of disbelief and refusing to learn the new things.

3. Provision of psychological safety that converts anxiety into motivation to change. If anxiety gets converted not fear it will be creating resistance for change. Therefore anxiety should be strong enough to be a source of motivation for change

This point is very critical and crucial because if we admit something with ourselves as wrong we will loose effectiveness, self efficacy, self-esteem or even our identity. Therefore in order to learn one has to be humble. Learning will be lower for individual with higher self esteem and vice versa.

Two types of change:
1) Action level or Symbolic 2) Belief or Cognitive

Comparatively speaking change in beliefs or belief system which is also identified as cognitive restructuring brings in more sustainable and meaningful change than symbolic and action type of change. Shock therapy in psychology is one such technique for changing belief of a patient. This kind of treatment is very common in our social settings. For instance parents-child relationship is based on the severity of event if father slaps his son to make him stop doing certain things. The concept of punishment is also a kind of shock therapeutic technique for behavioural modification. Similarly in real life certain events change the attitude of a person. This has application in management too. For instance organization going deficit the fear or shock of close down or job-cuts may motivate individual and groups to change and work for turn around. While action level or symbolic type manifest at extraneous to individual and at times is short lived and reflect merely a compliance in outward actions of individuals or organizational practices only.

In order to unfreeze mental programming is good for reducing resistance. Similarly in this stage it is suggested to establish performance-reward linkage without which change would not be sustainable. A very simple and powerful technique for motivating for change is to induce reward for performer and no reward or punishment for non-performer. This is perhaps one very good reason for change efforts to meet failure in a typical public sector organisation because in such organization senior executives fail to cultivate or make people perceive such linkage to exist. Because in public sector organizations all managers (good or bad) get same increment, promotion or other benefits based on seniority or on the length of service. Therefore very convincing reforms fail to bring in behavioural change because these reforms meet with failure at the very first stage as these are unable to even unfreeze the situation

2. Change Movement
This means a movement from existing to the desired form. It is a state of transition or transformation which depicts neither an old state nor a new state of affairs. This is very critical stage as it may either way backward (in case of failure) or forward. According to one author the time or stage in transition is known as “crazy period”. Generally in this phase individuals and organizations try to cope up simultaneously both systems; existing and the desired one. The transition process is usually not very smooth, neat and clean process rather entails upheavals.

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Important thing is to follow the desired objectives or system in a consistently. Ambiguity and parallel work of old and new has to be tolerated. Initial productivity of new system is considered to be lower than the previous system.

The process is to occur through two mechanisms:
i) Identification – when role models are there in the environment, for e.g. individuals who can easily follow the footsteps of role model and in context of organisation the popular term is bench marking – following the best practices of the industry leaders. Nations also tend to identify other nations as their model for economic or socio-political development. For instance economic development strategies of far eastern states like Korean and Chinese are cited to other developing countries for economic development. In the field of political and constitutional development often USA and UK are identified as the most democratic and political mature societies.

ii). Internalisation. Knowledge exists most of the time at external level. The most critical aspect is how to internalise knowledge, therefore just identification and mere knowledge is not enough. Here internalisation refers to the behavioural aspect of the recipient According to one version only that is considered to be knowledge which is part of one's behaviour (reflected in action). Therefore going by this criteria knowledge of good practices is not enough unless good practices are practiced. Movement from one stage to another stage is initiated by trigger event and manager's personalisation of trigger.

Mood and disposition

3. Refreeze
Once the new objective or desired state of affairs has been achieved the problem with this phase is to institutionalise the new system so that people might not revert back to the older ways of doing things. The purpose in this phase is to stabilize new learning. This can be done through behavioural reinforcement. In this stage again the effectiveness of performance –reward linkage is considered to be the part of enabling environment. New behaviour is to be internalised. Important note here is that effects of many training programmes and lectures are short lived when a person returns to the environment that does not reinforce. Hence continuous and intermittent reinforcement is needed. Another example from real life is that Pakistanis are known as highly productive abroad but back in their own society they are known as work shruggers, the difference is on account of enabling environment. Therefore in order to refreeze the new behaviour, system or equilibrium we have to provide enabling environment.

Application
The model can be applied to all three levels to explain change management phenomenon; societal, organizational and individual. For instance our society in over all analysis is in transition phase. Older things, system and traditions have been unfrozen, but we have yet to learn the dynamics of new systems as the productivity of newly learned behaviour is at lower level than the traditional system. The society is in transition from agrarian to industrial, rural to urban and traditional to modern. Members of such a society face a situation of role overload and role conflict bears attributes of both systems. We have unlearned our traditions but yet to learn modern productive traits. This transition reflects what is identified by one author as 'crazy period'.

At organizational level we can take the example of organization undergoing automation programme. Therefore first thing is to unfreeze the mindset of managers by creating dissatisfaction about the existing system file work or manual work. So creating discomfort amongst members of organization about lower level of productivity, creating sense of urgency and instilling fear of lagging behind in competition, enlisting perceived benefits for motivating managers are various techniques for unfreezing. During the second phase of change movement once the decision is taken for automation leads to multiple problems of learning, training, jobs and position displacements, hiring of computer technologist, budgetary allocations etc will create unease and tensions in the two types of system; manual and automated one. At this stage it seems that previous system was better

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in terms of efficiency and productivity as this reveals numerous problems with newer systems. Key to successful transformation lies in staying consistent, learning from mistake and tolerating ambiguity. And finally in the refreeze stage people get accustomed to newer system as learners and performers are rewarded. Newer behaviour and work ethics are internalised.

Similarly at individuals also undergo through the same stages like when they have to learn new knowledge, skills or values which are considered to be more productive. First in unfreezing stage resolving intra-individual conflict or tension, envisioning the desired state and dissatisfaction with existing levels of knowledge, skills or values. Second is to take actual steps and moving into crazy period or transition phase which is demanding in terms of learning new habits, values and commitments. Once the success is achieved individuals needs to programme internalise or refreeze the newly learnt values.

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LESSON # 4

IMPLICATIONS OF KURT LEWIN MODEL

Implications of Kurt Lewin Model

1. Change can be directed, managed and controlled (Learning is a choice behaviour)
2. There is an explicit recognition to the fact that change will be resisted
3. This resistance can be overcome thru management and good leadership
4. Sequence of event also matters
5. Change Attitude – behaviour will follow
6. Change the context – behaviour will follow this implies B = f(P * E)

1. Change can be directed, managed and controlled (Learning is a choice behaviour)

Every thing is not pre-ordained and predetermined. Modern thinking is scientific or formulaic. There is a general formula for everything with in the domain of natural sciences or social sciences. Therefore what is known as social sciences is that tools and methods used for creating scientific knowledge can also be applied to create knowledge in social domain. Therefore learning such type of abstract social disciplines such as entrepreneurship, leadership, management and organization culture from scientific approach means these very subjects can be taught and learned. So in this respect modern approach is different from the traditional one as now learning is considered not a function of gene or inheritance but a matter of aptitude and interest. Hence social behaviour can be managed like a thermostat or control valve to get the desired end. For instance, these control valves may reside in financial and non-financial techniques to motivate individual manager and groups.

2. Explicit recognition that change will be resisted

There are a lot more benefits of categorical acceptance, admission or recognition of some variable under research. In fact research has more to do with the identification of critical variable which play influential role in the causation of any phenomenon, and earlier was less focussed upon. Therefore once we know and recognise that resistance to change is distinct phenomenon for study, we will also study and target imperatively how to overcome this resistance. This is a typical technique of Western academics to bifurcate and focus in a specialised (in depth study) manner to create new subjects and disciplines. In other words division of labour exist in academics.

3. The resistance can be overcome through management and good leadership

As pointed out above once we know resistance is a critical variable to study simultaneously make imperative for us to know what type o leadership and management style will overcome what type of resistance. Hence we see that change management literature most of the focuses on the participative decision making, employee involvement, delegation, decentralization and team building etc. for organization to manage organizational transformation and strategic management programme.

4. Sequence of event also matters

The model also depicts that change management process has a sequence to it. In order to manage planned change we ought to know what should come first, which stage is follow another and how to identify which change management stage we are in like a life cycle approach

5. Change attitude - behaviour will follow

First we have to seek differentiation between the two terms, attitude and behaviour. The concept 'attitude' is more comprehensive than the term behaviour which included cognitive as well action orientation while behaviour is defined only in action perspective. Therefore going by this approach in order to have meaningful change we have to change first attitude. Hence change in cognition will lead to behavioural change. Alternate approach could be to change action which will eventually lead to attitudinal change. Here focal point for change is actions since actions are visible and measurable. The former change method is democratic in spirit while later is autocratic in nature. There is a flaw from methodological point of view, to measure change; the dominant paradigm of western social sciences is to target action. For instance scientific school of theory building (by and

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large rely on quantitative approach or survey method) it is the action which is the source of data and evidence, intent cannot be measured. From Islamic perspective of human behaviour it is the intent (*Niyyat*) which matters most not the action (*Amal*) as the famous hadith goes - action depend upon intents (*innamul aamal-o-binniyaat*). This is somewhat closer to the recently researched concept of equi-finality which means different actions can be taken or multiple practices can exist to reach the same intent effectively.

6. Change the context – behaviour will follow [B = f (P * E)]

Environmental forces play decisive role in shaping behaviour, is the key theme of the equation cited. Change in behaviour is owing to a particular context or situation. This relies on contingency school of management which means organizational efficiency and effectiveness is contingent upon environmental factors – will be different for different organizations. These factors could be size, type of industry, technology, etc. If environmental or contextual factors are so powerful and decisive to explain change or stability then does that mean individual (individual organization) has least or no role, priority, discretion or strategy in deciding for change. This leads us to the debates between fatalism vs. determinism, the role of individual vs. institution and the universal vs. cultural perspectives of management. Context again comprises of multiple facets Historical –social-political –geographical – cultural context

A Critical Look

No human knowledge is foolproof. Theories have good explanation power and associated weaknesses too. Though Kurt Lewin model widely quoted and respected but also has attracted some criticism which follows as under:

1. Linearity assumption. It is assumed that change is considered linear while we see in real life it is seldom linearity based. Reality more often than not is non-linear or curvilinear. There may be ups and downs in reality, and hence change management is not as neat and sequential process as described in the model, directly progressing for goals or end state.

2. Progressive state assumption. Change makes a direct progression, that is, future state is always better than the present state. This is an assumption may not hold valid especially going by the human, organizational and nations life cycle theory based explanation.

3. Mechanistic assumption. This is based on cause and effect relationship amongst factors considered stimuli for change. This is too excessively deterministic in its implications meaning thereby no or little role for unforeseen and emergent events.

4. Goal Assumption. Here change movement is directed toward a specific end-state (in real life may be haphazard). In real life people are not all the time purposive and task oriented for each and every movement. People may value leisure, relationship, spiritual and cultural being, or they may like change for the sake of change – as others are changing so one wants to change (life style or social pressure oriented but might not be need-specific). Similarly people may want to change because emotional or psychological aspect may be dominant

5. Separateness assumption. Change movement is planned and managed by people by staying apart from system while real life operates in relative terms and diagnosis and implementation is by remaining within the system. There are biases and ethnocentrism involved in all stages of change management process.

Nonetheless despite the above criticism the model is considered to have seminal influence on behavioural modification, learning and change management literature. Other similar models given under also verify the Lewinian model and change management strategies. For example according to Beckhard & Harris (1977) there are three stages of change management process

1. The Current State
2. The Transition state

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3. The Future State

Kanter at al, proposed three phases as:

1. Change Strategists
2. Change Implementers
3. Change Recipients

Grimley et al & Prochaska et al conceived the following by adding one stage as pre-contemplation

1. Pre-contemplation (Unaware of need to change)
2. Contemplation (Need to change but no commitment)
3. Action
4. Maintenance

More or less in similar meanings Lynn A. Isabella's Model suggested

1. Anticipation
2. Confirmation
3. Culmination
4. Aftermath

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LESSON # 5

SOME BASIC CONCEPTS AND DEFINITIONS

Organizational Learning (OL)

This refers to the continuous improvement of existing approaches and processes of adaptation to change, leading to new goals and/or approaches. In other words OL can be viewed as the organization's detection and correction of error, where error is mismatch between the organization's intentions and what really happened (Argyris 1989)

Single loop learning is defined as the organization's ability to perceive deviation from performance and to "fix" them (refers to diagnostic management control system). This is something pre-programmed and content specific.

Double loop learning (more sophisticated) emphasises that organization must review the underlying assumption that created the problem to be "fixed" in the first place, and seek and adapt a better assumptions for future performance. This entails questioning and adjustment of policies and objectives, and is process -oriented

Learning Organisation (LO)

Peter Senge, the author of fifth discipline gave the concept which essentially means that just like individuals Organizations also tend to learn. An organization where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together.

The five disciplines are:

1. Systems thinking

2. Personal mastery - skills, values and competence

3. Mental models - are deeply ingrained assumptions, or even pictures or images that influence how we understand the world and how we take action

4. Shared vision – common aspiration/objective

5. Team Learning – dialogue and thinking together

Learning cycle

Includes the following stages; planning**,** execution of plans, assessment of progress revision of plans

Un-learn

Schein believes in unlearning for change to occur the organisation must unlearn previous beliefs, be open to new inputs, and re-learn new assumptions and behaviour.

Strategic change

The concept is broader in its scope; change that is driven by "strategy" and "environmental forces", and is tied closely to the organization's ability to achieve its goals. For e.g. merger, acquisition, down-sizing, acquisition, joint venture. Or in other words it is the role and impact of environmental

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forces like government, societal, technological or political changes is decisive which an organization has to bear and incorporate in its strategic output.

Process Change

The focus is with in organization changes, narrower in scope, and is confined to a particular unit, division or function of the organisation. This relates to basically an examination and adjustment of organizational or managerial processes. Nadler & Tushman identified as "Tuning" meant to increase efficiency

Adaptive Change

Adaptive changes are incremental and evolutionary in nature, analogous to the concept of "working in the system" – more directed towards changes and management on day-to-day organizational transactions.

Generative Change

Changes which likely to entail a quantum break through, generates essentially a new ways of doing things. Revolutionary in nature and Also referred as transformation "Working on the system"

Schein's Typology

1. Natural Evolutionary

Something which is all the time going on in an organization. This is known as learning process occurring in organization taking placing knowingly and unknowingly. This refers to environmental adaptation, synonymous with evolutionary change, may be progressive leading to growth and development or regressive or degenerating one leading to organization illness or death.

2. Planned & Managed Change

As the name suggests this type of change means one can control the direction of change and learning. Learning can be controlled. Managers can stabilize the processes that need to be stabilised, even organization culture can be changed and managed. So one can change and stabilize some ways of working

3. Unplanned Revolutionary Change

Refers to impact of turbulent and unstable environment which creates disequilibrium and high uncertainty for organizations' strategy and structure.

Logical incrementalism

A concept which gained wide currency in designing and managing change, articulated by J. B. Quinn. Change management is complex and time-consuming phenomenon where internal and external forces exert significant pressures to resist change. Keeping in view this the logical incrementalism process which focuses on the evolution of the change as broad goals are more narrowly defined and adapted. The process comprises of the following stages:

1. Change is considered as a general concern – a vaguely felt awareness of an issue or opportunity

2. Broadcasting of a general idea without details – the idea is floated for reactions pro and con, and for refinements of change plan or idea.

3. Formal development of a change plan

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4. Use of a crisis or opportunity to stimulate implementation of the change plan. For example retirement of a senior manager or a sudden loss of market share can facilitate rapid acceptance and implementation of the change plan

5. Adaptation of the plan as implementation progresses.

This approach has its advocates and critics. Many top level managers consider it appropriate to bring successful change in organization by floating an idea early on, a leader can improve the quality of information generated before decisions are made and can overcome emotional and political barriers. While the critics of logical incrementalism see this as disjointed, garbage-can approach, or as managerial muddling. These complaints are valid if change plans are unclear or poorly formulated.

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LESSON # 6

TRANSACTIONAL VS. TRANSFORMATIONAL LEADERSHIP

Transactional

This means an approach going by legal contract or agreement, job-description, and hence no concern with employees or managers beyond contract. It is considered a bureaucratic or mechanistic way of organizational life, essentially a fragmented approach followed by most of the developed world states, and societies are known as litigious societies.

Transformational

Organizational life goes beyond legality and bureaucratic administrative values. Effective organizations are those where leadership is inspirational, role model, learning & grooming of followers. Individuals feel involved because of humane concern of their leaders and hence become more productive. Contrary to the transactional style of management this is considered organic, holistic & more comprehensive approach, to leadership and management. Asiatic style of management and learning is considered transformational while that of Western is more transactional. For example viz. role of teacher should he be bound by his legal contract and a role which is just limited to class room or he is considered an overall role model, inspiring leadership and ethical values.

Continuous or First - order change

Two frameworks in which change can occur; continuous or first order change and the other is discontinuous or second order change. Change that occurs in a stable system that itself remains unchanged. These changes and variations are necessary for business to grow and thrive in a competitive environment. Evolution theories describe the first-order changes that industries experience. Natural selection mechanism views the entry and exit of firms in an industry as the primary method of evolution. (Changes within particular stage of organisational life cycle) In other words this refers to gradual changes in organization such as refining existing processes and procedures

Discontinuous or second-order change

Change that occurs when fundamental properties or system itself has changed, for example, the fall of communism in Europe and former Soviet Union**.** Or revolutionary changes in technology, competition, socio-economic conditions like in telecommunication, banking, health-care, and electronics are considered discontinuous change as it leads restructure these industries, relocate industries and change the bases of competition**.** Change of stage on organisational life cycle is a discontinuous one**.** Quantum change is perceived better to make organizations High Performing Organization (HPO)

Middle order change

It is defined by one author as a compromise between the two; the magnitude of change is greater than first-order, yet it neither affects the critical success factors nor is strategic in nature

Micro-changes

Another practical classification is owing to the difference in degrees e.g. modifications, improvements, enhancements & upgrades

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Mega-changes

These refer to the differences in kind – a structural one, for example when we refer to a new system.

Human Capital

Is learning (knowledge creation) a personal or individual phenomenon or is it a social/collective phenomenon (discourse/dialogue)? Its answer will lead to the definition of human and social capital. Human capital refers to the full range of knowledge, skills & abilities an individual can use to produce a given set of outcomes. Practically at upper echelon manager are able to scan internal/external environment, solve problem, seize opportunities, etc. Firm-specific human capital means knowledge of one's own operation, strengths, weaknesses, tacit knowledge, operational personnel and communication styles etc. General human capital deals with knowledge of and about larger environment, competitors, suppliers, customers, stake holders, and about dealing with human capital

Social capital

Is learning essentially a social phenomenon? It refers to the linkages between social actors, the strengths of those linkage, and resources that flow from them (networking). The key dimensions include structural (relationship pattern among actors), relational (trust, norms, obligations, ethics that thru the relationship flow), and cognitive (shared beliefs and languages). Linkage between upper echelon and Board of Directors (BOD) in the form of information, advice, trust, and other organization processes like problem-solving, decision-making, coordinating. A very thought provoking and interesting question would be what if organization has human capital minus social capital, and vice-versa?

Four types of organisational change

1. Power culture

Following are the attributes of power culture. In such organizations individual is told what to do, power is exercised by leaders about changing behaviour, extraneous pressures to perform role and extrinsic motivation results are focussed.

2. Role culture

Where individual acts within the limits of job-description. For example stenographers in public sector refuse to learn or do the job such as fax or e-mail as per his job-description (narrower interpretation of a job).

3. Task/ achievement culture

Individual acts in a suitable way to complete tasks. People are motivated intrinsically (autonomy and sense of satisfaction.

4. Person/Support culture: Individual uses own initiative.

Organisation Development

OD is a system wide process of data collection, diagnosis, action planning, intervention, and evaluation aimed at:

1. Enhancing congruence between organisation structure, process, strategy people and culture;

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2. Developing new and creative organizational solutions;

3. Developing the organization's self-renewal capacity

The difference between OD and change management is difficult to delineate as it is overlapping but OD context essentially deals with internal aspects of organization while change management tends to be broader in its scope and concerns with both internal and external aspects of organization.

Organisational meme

Definition: Any of the core elements of organisational culture, like basic assumptions, norms, standards, and symbolic systems that can be transferred by imitation from one human mind to the next. In simpler words it is the replicating or copying behaviour. It is very fundamental way of learning borrowed from child psychology. Individual learns from other by following him as a role model. For example students getting admissions in any one popular subject or profession at any given time; be it medical, engineering, information technology, just because of imitating behaviour. This is also known as band wagon effect or mass movement. In consumer behaviour the same thing known as life style or fashion. Bench marking at organisational level represents mimicry especially when one organization (industry leader) does something new and all tend to follow the same. Even states follow other states in terms of economic and development policies considered successful such as export promotion, FDI, trade-liberalisation, nationalisation, import-substitution policy, or entrepreneurship promotion etc. Scholars have different opinions in advocating the efficacy of mimetic process as some believe in favour and for others the process could be imperfect in transferring knowledge, and hence lead to genetic distortion.

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LESSON # 7

THEORIES OF CHANGE IN ORGANISATIONS

Before discussing theories of change let us first discuss one such term used frequent in management literature. The term is theoretical pluralism. Pluralism is widely popular term in the western society which means to satisfy differing interests and needs of cross section of society. Here it means pluralism also exist in the case of simultaneous acceptance of differing and multiple explanations of reality. This has been realised by Koontz who referred to this situation as management theory jungle. There is problem of too much conflicting, overlapping, alternative and varying theories of a single phenomenon in management literature related to motivation, leadership, decision-making, objective-setting (MBO) etc. This leads to the fragmentation and compartmentalisation of perspectives resulting in the persistence of the problem of theoretical divide; whether it is an isolated line of research or nullifies each other or support or reinforce each other. There fore we have to understanding different explanations theories stated below.

These theories explained below are narrated by Van de Ven & Poole in his article published in the Academy of Management Review tried to give a comprehensive picture of various theories on organization change – ranging from child development to evolutionary biology, incorporating various concepts, as organisation life is a complex phenomenon with interplay and juxtaposition of multiple contrasting forces. He categorised various theories into a set of four theories which are:

1. Life cycle theories
2. Teleological theories
3. Dialectical theories
4. Evolutionary theories

This is a significant framework gives a parsimonious and prudent explanation of organization change. The framework serves a normative function and provides useful standards to evaluate the form, completeness and tightness of specific developmental theories. The framework supports inductive research by identifying characteristics of the four motors and the conditions under which they operate

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LESSON # 8

LIFE CYCLE THEORY

Life cycle theory

It is one of the most common explanation theories in change management literature. It is a metaphor of organic growth to explain org. development in an org. entity from its initiation to its termination. Entity may mean individual's job, a work group, a programme, strategy, product, or overall organisation. Like individual organisations also have a life, mean age and stage, and associated characteristics like birth, growth, maturity, decline and death – exhibits certain traits at a particular stage of their life. Now, if we apply theory in context of organizations in Pakistan, the question is what is the average life of a typical organisation in Pakistan (be it public sector organization or private sector). I believe multinational have evolved themselves as excellent high performing organization because they have a perpetual life, and have over come through Product Life Cycle (PLC), in case or Organization Life Cycle (OLC).

According to this theory, "Change is imminent; that is the developing entity has with in it an underlying form, logic, program or code that regulates the process of change and moves the entity from a given point of departure toward a subsequent end that is prefigured in the present state… Similarly, to Ven & Poole, "External environmental events and processes can influence how the entity expresses itself, but are always mediated by the immanent logic, rules, or programs that govern the entity's development"

Characteristics of a Life Cycle Theory:

1. The progression (order + sequence) of change events in this model is a unitary sequence (follows a single sequence of stage or phases) and is cumulative (earlier stage traits are retained in later stages).

2. There is such a progression to the final end state which is pre-figured and requires a specific historical sequence of events.

3. Each of these events contributes a piece to the final product, occurs in a prescribed order, and sets the stage for the next. Each stage of development is seen as a necessary precursor of succeeding stages.

The author referred to Nisbet who worked on the philosophy of developmentalism, and has stated, "Organisation development is driven by some genetic code or pre-figured program within the developing entity". Rogers is quoted to have posited five stages of innovation: need recognition, research on problem, development of idea into useful form, commercialisation, and diffusion and adoption".

Life cycle theories explain development in terms of institutional rules or programs that requires developmental activities to progress in a prescribed sequence. For example in International Business we talk of the specific application in context of product development and marketing known as International Product Life Cycle (IPLC). This depicts how a product having birth in the Western country like USA receives growth, goes international reaches maturity and eventually is in a decline in subsequent stage, in the form of importing the same product from external economies. Similarly Western business practices exhibit life cycle management model.

Unit of Change: Life cycle theories operate on a single entity, development as a function of potentials immanent with the entity – environment and other entities are considered secondary.

Mode of change: It is important to know the sequence of change events is prescribed by either probabilistic or deterministic laws. There are two modes of change: prescribed mode and constructive mode.

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Prescribed Mode: A prescribed mode of change channels the development of entities in a pre-specified direction. Watzlawick termed this as first-order change, routinized or pre-established programme. Variation is first-order change.

Constructive Mode: A constructive mode of change generates unprecedented novel forms, often are discontinuous and unpredictable departures from the past. Watzlawick termed this as a second-order change, as it breaks with the past basic assumption or framework.

So going by the traits of life cycle theory above we come to know that life cycle (and evolutionary) theory operates in a prescribed modality. Let us now see some other examples of life cycle theory. According to Hollman, organisational change such as MBO can be best understood by viewing change as systematically moving through distinct developmental stages rather than as either an evolutionary or revolutionary process. This developmental process consists of three phases or life cycle: Missionary, Modification and Maturity

- Missionary phase: When organisational member goes through MBO training programme reads book or article or is in business education programme and tries to introduce the same in his own organization with at least one high level sponsor in the organization (may be politically driven as to seek legitimacy and credibility)

- Modification Phase: After birth the problem of acceptance is there; primarily from three sources: interpersonal (lack of support, hostility, learning new terminology, skills and values, altering superior-subordinate relationships) organisational (authority-responsibility pattern, budgetary allocations, training/procedural revision needed) & environmental (government regulation or competitive pressure). Out of such pressures – customised version come out through negotiating and bargaining amongst multiple forces.

- Maturity phase: When the change introduced becomes org. routine, or when the new programme gets merged with the existing organization processes and loses its unique and special status as management tool in organization process in budgetary allocation or compensation mechanism. This is considered death phase change in one sense. It can fail as well, and death can occur at any stage on missionary - maturity continuum.

Application:

1. Viable time-oriented framework used by organisation to diagnose, evaluate and adjust new programme (like MBO)

2. Evolution of MNCs: How MNC evolves themselves? Sales agent, regular export, franchise/license, Wholly Owned subsidiary)

3. Though many consider OLC as static and deterministic yet some consider strategic choices at each stage can affect (shorten or prolong) the development, rate and direction of OLC stage.

4. Introduction of new technology or application of new managerial concepts in an organisation. For e.g. MBO can be examined in terms of its introduction, growth and effectiveness in organization

Miller & Freisen (1984) came up with a similar model

1. Birth

2. Growth

3. Maturity

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4. Revival

Baird & Meshoulam (1988) described stages four stages in OLC of an international organization. It is important to note that OLC for domestic firm is distinct from OLC for international firm

1. Organisation initiation

2. Functional growth

3. Controlled growth

4. Strategic Integration

Stage 1: Organisation Initiation

A typical start up organization survives on the basis of strong entrepreneurship skills and values. Management and leadership are informal in nature, and managed on the basis of convenience. Organization at this stage offers limited range of highly specialized products to restricted markets. Management culture remains ethnocentric, and the objective is short term survival with in domestic market.

Stage 2: Functional growth

Once organization maintains its existence it starts to look for diversification. Therefore firm looks for new export markets. Informal ways of management is replaced by formalisation by focussing on functional and technical specialization and production efficiency. Managerial confidence of a firm begins to increase owing to dynamic growth.

Stage 3: Controlled Growth

The firms' overseas market moves into maturity phase, with its focus on efficient structure and management practices. The firm now wants to control its overseas market through tight operations so as to achieve economies in production and other functional areas.

Stage 4: Strategic Integration

The firm now seeks greater with local market through localisation and adaptation of resources. Moreover synergy is sought to optimise in operations through network and interdependencies of resources and responsibilities across subsidiaries. Ethnocentrisms is replaced by polycentricism and geo-centricism resulting in increasing influence of foreigners and evolution of universal management character

Organisation death or extinction is another important concept which needs attention. The death of an organization occur when it value stability too much and avoid uncertainty and risk taking. This means organization is unable to innovate, and incapacity to appraise their own performance. It believes in stable programming and reluctant to deviate. All this happens when executives have narrow and parochial view of external reality, and resistance for change is very high. Therefore either it is organization's inability for adaptation or the hostility of environment leads the organization for extinction. For example take the case of sick units in textile sector, the industry booms under government supports and collapses with the withdrawal of concessions and subsidies.

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LESSON # 9

TELEOLOGICAL THEORIES OF CHANGE

Teleological theories of Change

According to this theory, human actions are purposive; goal is the final cause for guiding movement of an entity. This underlies other organization theories like functionalism, decision-making, adaptive learning & model of strategic planning and goal setting. By this theory, development of an organizational entity proceeds toward a goal or end state. The entity is purposeful and adaptive by itself or interaction with others. The entity constructs an envisioned state, takes action to reach it, and monitors the progress. Therefore development process entails the repetitive sequence of goal formulation, implementation, evaluation and modification of goals.

Individuals or organisations who are sufficiently like-minded strive to act as a single collective entity. Therefore, the question is why to have organisation in the first case? Its answers lie in the fact that it is the commonality and convergence of purpose which binds individuals and organizations. Hence task oriented-ness pre-dominates (technocratization). This is perhaps one such structural difference between managers in developed and developing countries. But unlike life-cycle theory, teleology doesn't prescribe necessary sequence of events.

Some teleological models incorporate the systems theory assumption of equi-finality (multiple effective ways to achieve a goal). In this theory there is no prefigured rule, logically necessary direction or set sequence of stages. Teleology stresses the purposive ness of the actor and within organisation's environment and resources constraints

Unit of change

Change processes go on at many organizational levels, including the individual, group, organisation, industry and on other population as well

Mode of Change

Teleological and dialectical motors incorporate a constructive mode of change and development (2nd order change). By this very nature teleological processes tend to diverge from the current order. Because goals can be changed at the will of an entity and can be attained in many ways, therefore this may result in unpredictability and discontinuity

Application:

New management system like MBO, ISO certification, introduction of new software, quality drives in organisations are all considered part of teleological approach to change management. Focus in this approach is on goals or objective setting process or phenomenon in an entity. So the case in point is how do we set goals? How do we arrive at our decisions? What our objectives or ends are? Are these in continuity or in discontinuity with the past objectives of an entity? All these dimensions relate with ends and means debate. Good and quality objectives with legitimate and effective means for an entity are always difficult to arrive at. Another issue with objective setting is whether goals are rationally formulated? Rationality, of course is bound by time and space, the concept of bounded rationality earlier propounded by Herbert Simon. Visionary is the one who can see things at distant, that is, he can give stretch to time and space. So when we say vision ought to be shared by members of the organization For example whether this vision is shared by senior executives and the managers in succession (change of CEO). Hence change of managers or CEO is meaningless if there is no meaningful qualitative change in objectives of organization. One can apply the same for developing nations like Pakistan. For instance take the context of history of Pakistan. A Pre-1947 objectives of colonisers was to extract revenue and control us through the design of strong bureaucratic institutions. After independence this objective ought to have been revised and replaced by the objectives of growth & development (Constitution is a written objective of a nation). This never happened as bureaucratic institutions remain oriented towards control and revenue like the objective of colonisers. Similarly objectives of governing elite whether or not get

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changed by the change in personalities, law, system or party change. Similarly in case of organisation we have to see mission, vision, objectives, plans, target, what is known as hierarchy on intent truly reflects organization performance or just a rhetoric. Therefore the need to have an organization is "to attain our goals" and for the attainment of goals organizations at time becomes autocratic in behaviour. For that matter, the very first goal being survival or "Self-preservation" all factor of generation-growth-maturity in organisms are considered to be in line with self-preserving. Therefore, behaviour in organisation becomes purposive.

Limitations:

Though the tautological theory has good explanatory power yet it is not without its limitations. Two such stand very obvious. One is that the element of subjectivity is ignored in this kind of explanation. Human behaviour is not as subjective as explains for all and sundry behaviour. Second this is considered too much mechanistic, ignoring the organic dynamism of nature.

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LESSON # 10

DIALECTICAL THEORIES OF CHANGE

Dialectical theories of change

Perhaps the oldest learning philosophy as Aristotle and Plato used the dialectical philosophy some 2000 years ago. Hegel and Marx, in modern era used this method to describe movements towards truth and change. This method is considered very powerful method of approaching objectivity and truth. To Van de Ven , "Dialectical theory rests on the assumption that the organisational entity exist in a pluralistic world of colliding events, forces, or contradictory values that compete with each other for domination and control"

Here three things stand significant:

1. Pluralistic world of colliding forces
2. Values that compete, opposing and are contradictory to each other
3. Domination and control is the purpose

In other words "Every phenomenon contains within it a contradiction. This contradiction itself becomes a phenomenon over a period of time". Opposing and balancing forces are internal to an organisational entity

Entity may have several conflicting goals or interests groups competing for priority. In a dialectical process – stability and change are explained by reference to the balance of power between opposing entities. Struggles and accommodations that maintain the status quo between oppositions produces stability. Change occurs when these opposing values, forces, or events gain sufficient power to confront and engage the status quo.

The dialectical process is identified here as Thesis - Antithesis - Synthesis (New Thesis). This is also known as dialectical cycle. The relative power of an anti-thesis may mobilise an organisational entity to a sufficient degree to challenge the current thesis and set the stage for producing a synthesis. The synthesis or new thesis is different from both thesis and anti-thesis. However there is no assurance that dialectical conflicts produce creative synthesis. At time anti-thesis is powerful enough to replace the thesis. Or many organisation (thesis) persists by maintaining sufficient power to suppress and control the opposition (or anti-thesis)

Unit of Change

Dialectical theories operate on multiple entities while OLC and teleological operate within a single entity. The theory requires at least two entities to fill the role of thesis and anti-thesis. For example individual and its environment or organisation and its environment engaged in dialectic. Here four forces operate, two within individual and two with in environment.

Mode of Change

Dialectical theory incorporates constructive mode of change (2nd – order). Since by its very nature there is a struggle and confrontation between thesis and anti-thesis which may be resolved by diverging or breaking away from the current or existing system, hence the type of change is second order.

Application

Famous scholar Karl Marx applied on history of economics, came forth with the concept dialectical materialism, and showed how agrarian society owing to its inherent conflicts transformed to a capitalistic society and visualised that in future will be synthesised to a socialistic society. For Hegel dialectics means the process of change, logic and a method. But we are more interested in knowing its application in context of organisation or corporation.

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First question is, how can this be applied to corporate decision making? One such application is known as Strategic Assumptions Analysis (SAA), and the technique is utilized for effective planning and generating strategies before a final strategy is opted. For example e.g. in creative problem solving organization use plan (affirmative) & counter plan (negative proposition - to play devil's advocate) to look for solutions and counter solutions quite analogous to thesis – anti thesis – synthesis. The purpose is to deliberate the surfacing of assumptions and counter-assumption especially under complex, dynamic and ambiguous phenomenon and situation.

Second, this can be used as a tool for group decision-making, particularly to know the reaction of group members. Organization is generally composed of various groups – two common types are ruling group and being ruled (opposition) just like that of a state system where one is government and other is opposition party. Similarly there are other formal and informal groups and pressure groups in organization. So it is important for managers to know how do various groups think of a given policy matter

Strategic planning

Man lives by his imagination and so is the case with organisation. The success or failure depends upon a particular set of belief or assumptions about the world, and in the fact how our belief or assumption is closer to the real world. And planning is nothing but systemic allocation of words and numbers to such assumptions. There are three components of planning:

1) Concerned with future state of the world and hence to predict about it.
2) Preferred future status underlying value system
3) A choice among two or three behaviour pattern (plans) for the firm's activity (means)

Each of these items involves' management basic assumption about the planning problem it faces. Therefore we see that management and management science focus on well-structured problem but the concern of strategic planning/management is to deal with ill-structured problem and issues. Hence the role planning in organization should be the followings:

1) To expose the assumptions underlying a proposed plan
2) To develop relevant assumptions upon which the planning process can proceed

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A DIALECTICAL APPROACH TO ORGANISATIONAL STRATEGY AND PLANNING

The dialectical approach can be defined in context of organization as: A system may be said dialectical if it examines a situation completely and logically from two different points of view. The dialectical approach begins by identifying the prevailing or recommended plan and the data which were used to derive it.

The question is posed: "under what view of the world this is the optimal plan to follow" In order to test the assumption underlying this plan a search is initiated to find another plausible and believable alternative – the counter plan. The principle theme is management must learn about the fundamental assumption of its planning problem and observe the conflict between plan and counter – plan, and their related world-views. Now what happen in real life is that Expert approach to planning is followed wherein consultants and economist are employed who are too much concerned with cost-benefit and efficiencies, and by their way technical view promoted. These experts bury assumption of their plan in trade jargon and statistics. Hence we see that this kind of traditional approach to planning is devoid of socio-psychological cultural and political implications. Corporate planner also operates on assumptions but are hidden assumptions in his organisational data and recommended plan, and his method of presenting can conceal assumptions behind the plan

- **Devils' advocate**

In this technique (usually internal consultants) managers play a deliberate role of devil's advocate while planners present their recommendations like experts. The focus is what is wrong with the plan and why it should not be accepted? The assumption behind this activity is that truly good plan will survive the opposition in the form of devil's advocacy. Managers (playing Devil Advocate) does not develop a new world view rather just criticise massively the plan. The role of managers' behaviour is destructive rather than constructive. And this may psychologically demoralise planners' and may result in planners psyche to develop safe plan rather than a progressive one.

- **Dialectical Inquiry**

In this exercise each member/participant has unique information, knowledge, experience or perspective that may be shared via discussion or interaction. The focus in this activity is consensus–seeking; therefore unlike of Devil's Advocates here consensus building behaviour is important by resolving decisional-conflict in the group.

Steps in Dialectical inquiry process:

1. A decision making group is divided into two-sub groups, each of which will be involved in the analysis and solution of the problem at hand.

2. One sub-group develops recommendations and supports them with all key assumptions, facts and data – all of which are provided to other sub-group

3. Now in dialectical inquiry – second sub-group develops plausible/alternate assumptions that negate those of the first, and then uses new assumptions to construct counter-recommendations.

4. The debate continues until they agree on a set of assumptions – and then unite to develop recommendations

This is different from devil's advocacy as the second group here come up with a formal critique, expounding flaws as why these recommendations should not be accepted but offers no alternative. In Devil Advocacy, the first group revises its assumption and recommendations to satisfy valid

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objections of the second group and then presents recommendation for second round of critique. The process continues until both sub-groups accept the assumption and planning recommendations. Hence the role of second sub-group differs in each case. Nonetheless what ever type **organization** proceeds with dialectical conflict and dialectical inquiry can be used as an effective tool to evolve corporate and strategic planning

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LESSON # 12

LIMITATION OF DIALECTICS; DA AND DI

Despite tremendous benefits, there is one such risk organization may run into for employing the above technique or process. For instance the process may damage group members' feelings, feelings of rejection, depression, jealousy and anger, and might even corrode morale and working relationship. Therefore the dilemma for management is to choose among (trade-off) quality decision and group harmony. In real life such type of trade off often exists. Hence, in overall analysis the dialectical design in organisation is introduced to have better planning. The exercise leads to formulation of plan (thesis) – counter plan (anti-thesis) constructed on the same databank will lead to synthesis, that is the exposing hidden assumptions and new conceptualisation of planning problem which the organisation faces. Further there are following objections by way which the process can prove to be counter productive:

1. Dialectic inquiry does not identify the moving forces and causes behind the dialectical process and its realisation in strategic policy planning.

2. Source of thesis (plan) and anti-thesis (counter plan) is not clear

3. It is not clear what governs the synthesis process and what determines the interpretation of various assumptions and strategies. As happens in real life organization meetings are by its very nature supposed to be dialectic. Like wise the danger is that the process may be politicised. This may lead to manufacturing of consent or opposition may manifest for the sake of mere opposition in a narrowed and rigid perspective.

4. It is self-purposeful, partial and incomplete: only deals with the decision-making process for strategic planning – and neither with antecedents (past history) of planning nor with planning outcome

Therefore in order to overcome weakness of the process we ought to know the pre-requisites the dialectical process.

Conditions for exercising dialectics

All theories and models have advantages and disadvantages and the applicability of theory is permitted under certain conditions. Therefore certain conditions ought to exist before going for such kind of activity, and these are:

1. Management is unaware of assumptions or in doubt or in disagreement) to choose appropriate assumption and plan.

2. Multiple and alternative interpretations on the same data bank

3. In case of uncertainty (constantly changing world) management tend to rely on synthesised set of assumptions or on synthesised view of reality

4. The cost of developing plan, counter-plan or management's involvement in the development of synthesised world view is less than the cost of advisors' (error in assumption)

Overview of application of dialectics

Primarily this can be utilised as a decision making and environmental assessment technique for

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generating alternative and scenarios. For e.g. A decision maker who is provided with conflicting policy recommendations may be involved in a dialectical process.

It is used for the production of systematic knowledge for organization, and as such can have utility for the following business and corporate functionalities:

- Inquiry system–dialectical conflict lead dialectical inquiry
- Business gaming and simulation
- Dialect Problem-solving technology (DPST)
- Nominal Group Training
- Delphi Method & control groups
- Quality circle
- Cross-cultural training

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LESSON # 13

THEORIES OF CHANGE IN ORGANISATIONS

4. Evolutionary Theory of Change

First thing we know is that it is also the concept of evolution which is also equated with change. Darwin, the famous biological scientist is known as the leading protagonist of this theory. The term organic evolution means how a living organism grows and shrinks over time. We are also familiar with the debate between mechanistic versus organic organization. Therefore the question is; are organization like living organism follow principles of natural evolution? The metaphor is borrowed from biology, and as in biological evolution change proceeds through a continuous cycle of variation, selection and retention. In context of organization these terms have the following meanings:

Variation refers to the creations of novel forms of organisations are often viewed to emerge by blind or random chance. Variation may be strategic or structural or operational in nature for e.g. Innovation in organisational functional areas. Implied here is the relationship of organization and its environment changes over a period of time. Changes in strategy and structural activities characterise this relationship or in other words, organizations continue to define and redefine its relationship with environment. Therefore external change leads to change in strategy which eventually culminates in change of structure. For example, growth (opportunity) in industry (part of environment) will result in the growth objective (increase in sales) of organization, will lead to in manpower (HR) and hence will lead to change in management form/practices. Imperative might be the transformation of autocratic style to participative style of decision making. In other words a single organization cannot grow indefinitely and still maintain its original form. Variation is bound to be there and this variation depends on adaptive capacity varies (of technology, capital, trained personnel, etc)

Selection of organisation occurs principally through the competition of scarce resources and the environment selects entities that best fit the resource base of an environmental niche. Some organisms or variants perform better as changes occur in environment while other die or become extinct.

Retention involves forces (including inertia and persistence) that perpetuate and maintain certain organisational forms. Retention serves to counteract the self-reinforcing loop between selection and variation.

The same concept is known as evolutionary thinking. Now change managers, CEOs and consultants want to make organization as an evolutionary organization. The evolutionary thinking is described to entail the following features:

1. All events are time bound
2. No such thing/phenomenon is absolute
3. Focus on historical particular for explaining causation
4. Study of context is important
5. The theory also accounts for diversity of the organic world.
6. Account for variations in organizational strategy and its structure

Therefore evolution explains change as a recurrent, cumulative, and probabilistic progression of variation, selection and retention of organisation entities (forms and practices). Organization mutates; mutation in biological terms means change in genetic character which means transformation in genetic codification. Change in genetic character is a matter of random variation (chance). In context of organizational innovation in different functional areas of organization (managers in various departments) in a random manner discover efficient and effective ways of management. The discovery of such changes could relate to two broader categories; systemic

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change and operational change. Systemic change addresses the issue of effectiveness while operational level change is concerned with efficiency improvement. Typically organizations have growth as strategic objectives; and the relationship between control and growth is more pronounced according to most of the management consultants. This is considered to be inversely related with each other. For higher level growth organization control has to be relaxed and decentralized. Another way to look at an evolving organization is to study entrepreneurship especially how do smaller organizations transform themselves into a large organization? Organizations cannot grow with single or constant management style or organization structure and hence variation in organization and organization structure is bound to occur.

The same thinking is related with what is known as concurrent engineering. By going for management audit one tends to evaluate forms and practices which are needed and those which are considered redundant and futile, in production or manufacturing process.

There are two theoretical approaches further within the evolutionary school which differ in terms of how traits are inherited, the rate of change and unit of analysis. One is Darwinian approach which believes that organization traits are inherited through inter-generational processes. Darwinian theorists believe in continuous and gradual process of evolution. While there are scholars who follow Lamarckian line, and argue that traits are acquired within a generation through learning and imitation. Most analysts believe that Lamarckian view is more applicable and appropriate than strict Darwinism in context of organisation and management, especially on the acquisition of traits. This is more in line with learning capability of an organization.

Unit of Change

Evolution theories operate on multiple entities, which are on intra-organisational, organisational, population, communities as against OLC and teleological theories which operate within single entity. Evolutionary forces are defined in terms of the impact they have on populations and have no meaning at the level of the individual entity.

Mode of Change

Evolutionary theories incorporate a prescribed mode of change, which is of continuously evolving character. Evolutionary theories rely on the statistical accumulation of small individual events to gradually change the nature of the larger population.

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Lesson # 14

APPLICATION OF EVOLUTIONARY THEORY

The theory has general application various functional areas of management like production, marketing, finance and quality management etc. Here environment means market and one can observe the application of mutation concept. For instance take the case of electronic industry or communication technologies as there appears a huge variety of products in a quick succession of time, and the success of any new technological product (variation) is a matter of sheer chance. Going by this theory it is the environment which plays decisive role or influence in the selection of forms, processes and practices in organization. It is the environment which selects and decides the validity of organization form, process and practices to become effective and efficient.

Second evidence we found in the Quality Management Movement (QMM) which is well supported by evolutionary theory. For e.g. Total Quality Management (TQM) means, continuous, marginal or incremental changes on day-to-day bases in all functional areas like on customer-preferences, product-attributes, organising in production as well. Winter, a scholar, whose work on this subject is quite known, links QMM from evolutionary economic characterisation of a firm to evolutionary economic theory. There are three aspects of organization changes:

1. Corporate knowledge resides in the organisational capabilities embedded in organisational routines. These routines do not arise from isolated managerial decisions but from a process of organisational learning. These routines have a large tacit component of learning.

2. There is no sharp distinction between the firm's technical and organisation component. Systematic routines may result in creating opportunities for improvement.

3. The capabilities of a firm are not from universal technical hand book but are idiosyncratic (individuality or personality) outcome of unique firm histories (evolving)

Quality Management focuses more on production process than outcomes. One major benefit of QM is the forcing of the organisation to continue the evolution (change over time) of its successful routines and avoid the danger of stagnation in a competitive world.

Managerial focus

It is important to note that by default organisations are control-oriented and autocratic in nature therefore evolutionary organization too is transformation of autocratic organization at one time-to-participative one at another time. Therefore building evolutionary organisation (how to?) is recurring theme these days as in evolutionary organization flow of authority is upward (and Weberian concept of rational top down bureaucracy is no more valid in present times). So the evolutionary theorist, instead of reliance on hierarchy, authority, span of control offers knowledge-oriented organisation and hence focuses on discovery, application and dissemination of knowledge.

Another distinct perspective of evolutionary theorists is that they tend to incorporate principles of management developed from personal experience and observation (values) and believes that resort to traditional way of authority may be wrong and bad application of authority.

It also focuses on the organization processes as well which means continuous improvement in decision making, communicating and controlling. One such common example can be cited is that of a zero defect philosophy in context of production.

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FURTHER APPLICATION OF EVOLUTIONARY THEORIES

First is the strategy–structure debate and its application of western managerial knowledge in context of Pakistan. The knowledge around us is the knowledge developed in the West for their own purposes and objectives (environment). What is important for us is to develop skills to seek relevancy, relate and appropriate this knowledge to our own contexts. We can already observe the limitations and inadequacies of Western managerial and theoretical knowledge like that of Hawthorne effect and Maslow theory of motivation as too abstract and generalised to deal with distinct and differentiated cultural entities and societies of developing countries like that of Pakistan. Hence the need is to go for synthesis and selective application of Western management paradigm.

Similarly, the logic and spirit of contextualising also goes fine with certain dimensions of evolution theory like that of selection and adaptation. For instance in the context of public sector organisation in Pakistan there is a kind of fixation with organization structure rather than strategy resulting in the failure to evolve a distinct organization structure and managerial culture on their own. For example one such reason for the failure of strategy was that shift in government's strategy from import-substitution to export-promotion over a period of time never brought with it a shift or adjustment in organization structure. In fact with the same (static) set of institution, bureaucratic structure and values different strategies were followed. Therefore what is suggested is that evolving strategy should be coupled with evolving structure.

With respect to strategy-structure debate the typical controversy is which should come first? Should strategy be formulated first and then structure is organized along the strategy dimensions? Or it is the idealised and standardised structure which remains effective and can make effective any type of strategy. Further concern is how do organizations evolve their strategies? And more important is whether change in strategy is simultaneously followed or corresponded with strategy. Going by the spirit of evolutionary thinking it is the strategy–structure alignment and match which is required. This was considered a traditional paradigm of management that good managers were considered good managers every where (irrespective of industry, technology, size & place of organization) old paradigm not valid for today's world. This has become irrelevant in today's highly specialised era with hi-tech hyper changing world. So according to cultural school of thought (Comparative Management) managerial practices which were considered effective in USA or Europe may not be relevant and valid for developing countries like Pakistan. Therefore the localisation of management by MNCs and other indigenous or local organization is imperative going by the dynamics of evolutionary theory.

Large organisations are complex – more vulnerable because of formalization of process and routinization. Mangers focus too much on procedures and due-process of law. Organizations are divided into vertical columns (functional departments), therefore managers cease to look at organization from holistic and integrated perspective. Organizations become rigid and refuse to learn owing to functional specialization and tend to become inflexible. For larger organisations, QM should be more successful in large and complex because they are vulnerable to organisational routines and stagnation. Large organizations operate as a special case of selection principle as organization moves from smaller to large one. According to John D Rockefeller, "the growth of a large business is merely a survival of the fittest: it is merely the working out of a law of nature"

Moreover, organisation theorists use the term evolution in variety of ways. One such concept is learning which means change in knowledge, change in skills and change in attitude of individual and or organization as well. Now the question, is adaptation and learning synonymous with change? Sidney Winter uses the term adaptive problem-solving. Adaptation and evolution are used synonymously but for some authors the two terms are not similar? Levinthal distinguishes between learning and adaptation. To him, learning occurs when there is an incremental change in an

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organisational routine in response to feedback about outcome while adaptation is defined as when an organisation changes some of its core attributes to fit environmental contingency.

Strategic management perspective

A firm has a perpetual concern with strategy formulation, strategy implementation and strategic evaluation; and has a choice which set of strategy to opt or formulate. The two sets of policy choices are internal development and external development; and both are considered opposite to each other. The internal development strategy, in its traits is slow, gradual, equity based where one's own organization culture is considered very sacred as against the external development strategy which exhibits the characteristics of being fast, structural and high growth oriented. Mergers, acquisitions, joint ventures strategies explain the same mode. Internal refers to slow, gradualism or incrementalist or evolutionary view and the other refer to revolutionary types of change.

Relationship With other theories of change

How this theory fits with other theories like with teleological, life-cycle and dialectical theories. This theory incorporates diversity and multiplicity of views. This theory seems to be comprehensive viz. other theories like. OLC is again like parallel explanations of evolutionary theory. Thing tend to evolve in each stage of its development; be competitive; and environmental context. Teleological theory explains change in terms of purposive and cautious ways of objective setting, compatible with teleological – consistency in policies and objective for stable evolution of organization With in organization we have dialectics and dialectical thinking; have to incorporate opposing view point so as to come forth with effective policy outcome.

Criticism

This theory is not free from criticism. Natural selection favours the best of existing alternatives rather on the best possible design. Here in this theory outcome is satisfying rather than optimising, which means it does not strive for the best possible objectives. Another point of concern is that organisation analogy is considered weak as organization is designed and managerial decisions are taken cautiously and purposively while evolutionary biology rests on random variation. Because of this deficiency in analogy Mayr has termed this theory as an "inappropriate formulation".

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LESSON # 16

GREINER'S MODEL OF ORGANISATIONAL EVOLUTION AND REVOLUTION

The model explains why and how organizations are unable to grow, and in a way suggest how organisations ought to grow? The model is based on certain assumptions about the organization which are as under:

First assumption is organisations are rigid, bureaucratic, control-centric, and centralised entities. Second, organisations fail to see that the future success of an organisation lie within their own organisation, and also fail to assess their evolving states of development. Therefore inability of a management to understand its organisation development problems can result in organisation becoming frozen in its present stage of evolution (failure to evolve) regardless of market opportunities.

Here Greiner's proposition is that future of an organisation may be less determined by outside forces than it is by the organisation history. Therefore to him internal dynamics of organisation structure play a critical and decisive role in shaping organisation strategy. This view comes closer to the recently popular management paradigm of Resource Based View of strategy formulation. According to this view each firm has a unique combination and configuration of its resources which leads to inimitable competitive advantage.

The position confronts with Alfred Chandler (famous American author) who gave the concept n strategy and structure perspective in business management, and who proposed that outside market opportunities determine a organisation strategy which in turn determines company's structure. So Greiner emphasises structure over strategy while Chandler focuses strategy over structure. Greiner seems also influenced by European psychologist – for whom individual behaviour is determined primarily by previous events and experiences. Hence the analogy of individual development coined with organisational development

Before discussing the model, first let us define the two terms: evolution and revolution. Evolution is used to describe prolonged period of growth – where no major upheaval occurs in organisation practices. The term revolution is used to describe those periods of substantial turmoil in organisational life. Each evolutionary period creates its own revolution, as organisation progresses through developmental phases. For instance centralised practices eventually lead to demand for decentralisation. Moreover the nature of management's solution to each evolutionary period determines whether organisation will move forward into next stage of evolutionary growth.

According to Greiner, five key dimensions emerge as essential for building a model of organisation development.

- Age of the organisation
- Size of the organisation
- Stages of Evolution
- Stages of Revolution
- Growth rate of the industry

Each dimension influences the other overtime; when all five elements begin to interact, a more comprehensive and dynamic picture of organisational growth emerges.

1. Age of the organisation

It is the foremost and essential dimension of organisation development. It is very clear to us that the same organisation practices are not maintained throughout a long span of time. Most basic point is management problems and practices are rooted in time. MBO a decade back had different meanings

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than today. The passage of time also contributes to the institutionalisation of managerial attitude. As result employee behaviour becomes not only more predictable but also more difficult to change when attitudes are outdated. For example Parkinson law of expansion which means work tend to expand over time.

2. Size of the organisation

Organisation's problems and solutions to such problems tend to change markedly as the number of employees and sales volume increases. Thus time is not the only determinant of structure; in fact organisations that do not grow in size can retain many of the same management issues and practices over lengthy periods. Very typical problems of increased size are of coordination and of communication, emergence of new functions, levels in the management hierarchy, and jobs become inter-related.

3. Stage of Evolution

The term seems to describe quieter period in organisation history with modest adjustments necessary for maintaining growth under the over all same pattern of management. With the increase in size and time – a phenomenon becomes evident – which is "prolonged growth". Evolution is equated with continuous and prolonged growth. According to Greiner, most growing organisations do not expand two years and then retreat for one year; rather those that survive crises usually enjoy four to eight years of continuous growth without a major setback or severe internal disruption.

4. Stages of Revolution

Smooth evolution is not inevitable for long. In other words organisation growth cannot be assumed linear. For example, many case histories of Fortune 500 listed companies reveal that companies had periods of substantial turbulence spaced between periods of evolution. Turbulent times leading to severe upheaval of management practices – means revolution or period of revolution.

Traditional management practices appropriate for smaller size and earlier times, are brought under scrutiny by frustrated top managers and disillusioned lower-level managers. Many organisations fail during such a crisis – unable to abandon past practices have to wind-up or compromise to lower levels of growth.

The critical task for management in each revolutionary period is to find a new set of organisation practices that will become the basis for managing the next period of evolutionary growth. Interestingly, the new practices sow their own seeds of decay and lead to another revolution.

Therefore management sees something a solution in one time period becomes a major problem later. For example at individual level, the same situation can be identified as success trap, means success has its own trap which generates single-variable-mindedness type of thinking in individual.

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LESSON #17

GROWTH RATE OF THE INDUSTRY

The speed at which organisation experiences phases of evolution and revolution is closely related to the market environment of its industry. Different industries have different growth rates, for example computers, automobiles and banking all have different growth rates. Evolution can be prolonged, and revolutions can be delayed. Revolution seems too much more severe and difficult to resolve when the market environment is poor or going down. Marginal organisation seem to do better market environment is good or moving up.

Greiner identified five phases of growth – each phase of growth is marked by evolutionary progress and a revolutionary period (or crises). Each evolutionary period is characterised by the dominant management style used to achieve growth, while each revolutionary period is characterised by the dominant management problem. Companies in faster growing industries tend to experience all five phases more rapidly while those in slower growing industries encounter only two or three phases over many years

It is also important to note that each phase is both an effect of the previous phase and a cause for the next phase. For e.g. Directive management style in one phase may lead to autonomy crisis (rev.) and eventually followed by delegation

The principal implication of each phase is that management actions are narrowly prescribed if growth is to occur. So organisation experiencing crisis of autonomy cannot return to directive management style for a solution – it must adopt a new style of delegation in order to move ahead

PHASE 1: CREATIVITY

At birth stage, emphasis is on creating both product and a market. So the characteristic of the period of creative evolution are:

- Founders are usually technically or entrepreneurially driven and disdain management activities
- Communication is frequent and informal
- Long hours of work are rewarded by modest salaries
- Control – comes from market feedback management acts quickly as the customer reacts
- Leadership crisis occur as individualistic and creative activities help organization to take-off

1. Leadership Crisis

As company grows, needs larger production, needs specialized knowledge about the efficiencies of manufacturing, marketing and finance or capital, therefore needs increased number of professional people in all functional areas. All this cannot be managed at an informal level. Formalization, proceduralism and bureaucratization come into play for better financial and managerial control. Founders found themselves with unwanted managerial responsibilities. They still try to act it in the past ways. Owners enter into conflict with managers. This issue is cited as agency theory in corporate governance and strategic management courses. At this point crisis of leadership occurs – the first revolution. Founders, often hate to step aside even though they are probably temperament wise unsuited to be managers. So the developmental choice for founder is to choose strong manager and step aside for perpetual growth or select week manager and compromise on growth

PHASE 2: DIRECTION

Those who survive by installing strong and capable managers usually embark on a period of sustained growth under able and directive leadership. The traits of this evolutionary period are:

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- Functional org. structure – specialization and division of labour
- System and sub-system get developed – Accounting for inventory and purchasing
- Budgets and work & Job standards, are adopted
- Communication becomes more formal and impersonal as a hierarchy of title and position builds
- Lower and upper level conflict becomes obvious as organization grows and have more layers of hierarchy
- Lower level employees find restricted by a cumbersome procedures and centralized hierarchy.
- Lower level managers have more direct knowledge of market and machinery than do the leaders at the top (office-work & govern through paper).

2. Autonomy Crisis

Thus second revolution is imminent as crisis develops from demand for greater autonomy on the part of lower-level managers. Yet it is difficult for top-managers who were so successful in developing system, being directive and stay responsible to give-up authority. Moreover lower level managers are not accustomed to making decisions for them. As a result numerous companies flounder during this revolutionary period adhering to centralized methods while lower level managers get disenchanted and leave the organization (turn-over rate)

PHASE 3: DELEGATION

Next era of growth evolves from the successful application of decentralized organization structure which exhibits the following characteristics:

- More responsibility is given to the managers of plants and market territories.
- Profit centres, incentives and bonuses are used to motivate managers.
- Top executives at headquarters restrain themselves to managing by exception based on periodic reports from the field
- Management now focuses on making new acquisitions which can be added to the corporation as decentralized units
- Communication from the top is infrequent, usually by correspondence? Or telephonic or brief field visits.

Of course now IT has made this communication fast, easier and effective. The delegation proves useful for gaining expansion through motivation of lower level manager, by giving them authority and incentives, to penetrate larger markets, respond faster to customers and develop newer and effective managerial practices

3. Control Crisis

Top executives sense they are losing control over a highly diversified field operations (owing to power-politics, upward mobility of lower level mangers, fear replacement, etc). Autonomous managers prefer to run their own shows without coordinating plans, resources, technology and manpower. The revolution become obvious when top management seeks to regain control over the total company. One solution is re-centralization which usually fails as company's operation have become diverse and vast. Other solution is to evolve special coordination techniques.

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LESSON #18

PHASE 4: COORDINATION

This evolutionary phase is characterized by the use of formal system for achieving greater coordination, and by top executives taking responsibility for the initiation and administration of new systems. For e.g. decentralized units are merged into product-group-formal planning procedures are established and intensely reviewed. Other features of this phase are:

- Numerous staff managers are hired at headquarters (HQ) to initiate company wide programs of control and review for line managers.
- Capital expenditure related decisions are carefully made.
- Each product group is treated as an investment centre where return on investment (ROI) is an important criterion for funds allocation.
- Stock options and profit-sharing schemes used to encourage identity with the firm as a whole. HO-subsidiary dynamics (HQ- branch relationship) come to play as a factor in organization growth or performance

4. Red Tape Crisis

Lack of confidence and trust between line and staff, and between HQ and field; systems, program and procedures go beyond their utility, and become end in itself. Line managers resent heavy directions by staffs, which are unaware of local conditions. Staffs on the other hand complain about uncooperative and uninformed line managers. Therefore procedure takes precedence over problem solving, and innovation is dampened

Lawrence & Lorsch highlighted this in their study as the problem of differentiation and integration. As organizations become large, vertical and horizontal differentiation becomes pronounced. The problem at this stage is higher the differentiation, higher will be the need for integration.

PHASE 5: COLLABORATION

To overcome crisis of red-tape crisis – strong inter-personal collaboration is suggested in this phase. Now the question is; what is the difference between Phase 4 of Coordination and Phase 5 of collaboration? The difference is that Coordination phase was managed more through formal system and institutional procedures while Phase 5 (collaboration emphasises greater spontaneity in managerial actions through teams and the skilful confrontation of interpersonal differences.

Social control and self discipline take over from control. This transition is very difficult for those who create and believe on the formal methods of report and answers. The phase evolution builds more flexible and behavioural approach to management. Here are some of its features:

- The focus is on problem-solving quickly through team-thinking and team-actions
- Teams are combined across-functions
- HQ-staff experts are reduced in numbers-combined in cross-functional teams to consult (not to direct) field units
- Formal systems and procedures are simplified to focus on tasks
- Conference of key managers are held on major organizational issues
- Reliance on educational and training programs for conflict-resolution and better team work
- Real-time information system are integrated into daily decision-making
- Rewards are geared more towards team performance than individual achievement
- Experiment with new practices are tolerated and encouraged

The Crisis

What will be the revolution in this stage of evolution?

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Many large and mature multinational (MNCs) are in this phase.

Any way whatever the answer is, the sole focus is that each evolutionary period culminates into a revolutionary period, which is short and spasmodic and transformative for the existing managerial system, and the processes are never ending and perpetual ones.

For Compulsory and Further Readings

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ORGANISATION ECOLOGY

Leading proponents organization ecology school of thought are Glenn and Carroll, and Hannan and Freeman. In this theory population of organization is taken as a unit of analysis rather than single organization. The dominant theme of population ecology is that effects of organization's environment is critical in organization's survival and (performance) believe that forces internal to the organization are less important. Principally, population ecologist think that organization do not change and adapt; and consider that each time a new organization is born after a significant level of change. Pfeffer and Salancik published their work as "The external control of organizations". This has led to the analogy of natural selection processes as determining some aspects of organization. Miller and Mintzberg referred to "the survival of organizational forms as being encouraged by Darwinian forces" (e.g. Weberian of organization-dominance-of functional structure). Three issues are considered central in population ecology model of change management:

1. Role of structural inertia in constraining adaptation
2. The classification of organizational species
3. The salience of the environment in determining organizational survival

1. Structural Inertia

Population ecology models of organization-environment relationship are considered alternative to the dominant adaptation perspective. Though there are a variety of ecological perspectives yet they all focus on selection phenomenon. The attribute patterns in nature to the action processes. Astley and Van de Ven highlighted this adaptation versus selection as central debate in organization theory (OT). Selection of new or changed organization forms occurs as a result of environmental constraints and inertia is referred as an explanation for the lack of adaptive change. Therefore structural inertia limits the ability of organization to change. Hanna and Freeman identified a number of processes that generate inertial pressures both from internal structural arrangements and from environmental constraints.

A. Internal Structural Arrangements

One of the biggest inhibiting factors for organizational change is sunk cost. Sunk cost of the firm which means broadly any amount of time, money and efforts (plant & equipment or cost of R&D and trained personnel) develops a restraining force within an entity to freely look for alternative options. Structural arrangements refer to the rules and resources which an organization deploys manifesting its commitment levels. A communication structure in organization like barriers misperception amongst various players at vertical and horizontal levels also facilitates inertial process. Internal politics for vested interests amongst organizational members act as restraining force. The existing institutional norms –rules and regulations remain status quo oriented to inhibit organizational change

B. External Factors

Not only internal factor inhibit change but at times external factors like government and industry creates barriers in smooth and consistent change management process. For instance there may be a very high cost associated with a firm's decision to enter or exit any particular industry or market. Bounded rationality, a concept given by Herbert Simon means managers are rationalizing not rational, meaning thereby that decisions on the part of managers are always bounded by constraints like time, space, cost and information. Therefore the choice of decision makers to go for alternative options is extremely limited. Another relevant concept is of social legitimacy which imposes restriction in the decision outcome for change or status quo. Managers will go for such decisions which are considered legitimate and acceptable by society or by the members of the organization socially. Most of the time society is slow to recognize and accept change, and more often it is

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conservative to accept change. So what happens practically is that organization try to initiate change but then do not intend to go for complete transformation. Miller and Freisen identified this kind of response to environmental changes as sluggish adaptation. Miller also used the term adaptive rigidities caused by the avoidance of uncertainties, and the fragmentation of the political coalition and its goals cushion organizations from the need for adaptation. All these issues of structural inertia (and in a way with organization adaptation phenomenon as well) explain the relative superiority of natural selection process over adaptation in the survival of organization.

Therefore, population ecologists believe that environmental selection replaces adaptation as the vehicle of change. Hannan and Freeman formulated theory well supported by empirical evidence that "stronger the inertial pressures lower the adaptive flexibility and the more likely that the logic of environmental selection is appropriate". Hence the proposition is the survival of organizations is determined by environmental variations

By implications, we see population ecologists maintain lesser role for management, wise governance, organization structure and bench marked managerial practices. There is paradox in this thinking. The paradox with population ecology is that methodologically, the study deals with small organizations with simple organization structure which were free from issues of sunk cost & politics (non-chain small restaurant in 18 cities of California State). External constraints were not strong either. The paradox is that inertia is, somewhat, largely a phenomenon associated with the complex department structures of large organization.

To Astley and van de Ven, "Natural selection model fits small, powerless organizations operating in environment with dispersed resources better than large well connected organizations operating in environment with concentrated resources". For Aldrich, the structural inertia depends on the size of organizations. The larger an organization, the greater the structural inertia and the more control the organization can exercise over the environment (in-real life large organizations seem quite powerful to shape or influence environment). Another scholar empirically says "the few organizations that survive infancy owe their above average longevity to wise governance"

Therefore ecologist claim that inertia restricts adaptation and consequently enables selection forces to dominate over adaptive strategy of the organization somewhat holds less ground. Going by this concern that small organizations lack inertia and should have better adaptability to environmental changes. The question then is whether this so in real life? How these dynamics are going to be in developing countries.

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CLASSIFICATION OF ORGANIZATIONAL SPECIES

Another major issue is the classification of organizational specie. Like biology it emphasizes population within a species as unit of analysis. But then the problem is what characterizes an organizational form (Specie)? Hannan and Freeman state, "An organization form is a blue print for organizational action, for transforming inputs into out puts." The blue print can usually be inferred by examining any of the following:

- Formal structure of the organization in the narrow sense, that is through written rules of operations.
- Pattern of activity within the organization- what actually gets done by whom.
- Normative order- the ways of organizing that are defined as right and proper by both members and relevant sectors of the environment

Ulrich defines form as a "legally defined entity" with a population of firms consisting of similar competencies, structures and strategies. Similarly organization form can be determined according to other criteria, for e.g. technology, industry grouping and product.

2. Extent of Environmental Selection

The population ecology model stress that the environment determines the distribution and form of organization through selection. Here environment in a biological sense is not a objective phenomenon. Biologists refer to a very interesting phenomenon of environmental niche. The environmental niche in an environment perceived by ANT is clearly different from that perceived by an ELEPHANT; minor changes in an environment may spell the demise of population of ANTS but be unnoticed by an ELEPHANT. In the same way the environmental niches inhabited by SMALL and LARGE organizations are subjectively different. Therefore different species (organization) perceive and experience the environment differently. Another thing to be take note of is that environments are multidimensional and complex, not similar for all type of organization. Hence environment is different for different type of organizations, while the ecological approach suggests that one focus one common fate with respect to environmental variation.

Now the question is what is the effect of changes in environment on the mortality of population. Individual organization mortality may be there out of an accident, incompetence, or rational choice. So distinction should be there when owners arbitrarily decide to close down the business for personal or for economic reasons. Similarly owners also set the tone for level of growth and profitability. Another scholar talked of vital rates of founding and mortality (entries and exit), and process of founding and mortality of organization. So the thrust of organization ecology should be the investigation of the leading question, how social environment shapes the following dimensions of organization:

- Rates of creation and death of org. forms,
- Rates of org. founding and mortality, and
- Rates of change in organization forms.

What is more important to discuss and for further research is the relationship between adaptation and selection, and determinant of vital rates.

Relationship between Adaptation and Selection

One such empirical study conducted by Carroll found the role of strategy in a way that the timing of executive succession was found to be and important factor in organization survival. Similarly in biological sense, adaptability is an individual behavioral phenomenon. Penning stressed the role of adaptation and according to him, "Organization will maneuver themselves in their environment, so

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as to acquire optimum external control and will shift their disposition whenever environmental conditions dictate." To him entrepreneur is a "volitional individual" who enters an environment and make strategic choices that ensure the best transactions with the environment.

Determinants of Vital Rates

Vital rates means death rates and founding rates of an organization. This leads not only to the study of large organizations but also of entrepreneurship and small businesses. Here we are concerned with the following possible determinants of organizational death and inception:

- Role of competition
- Institutional constraints
- Role of government (for example subsidy, tax exemption given by US government to Chrysler automobiles thrice in its history)
- Type of product or industry becoming obsolete

What causes death of an organization? Immediate factor could be attributed to the consistent sales decline or poor financial performance as the most obvious indicator? However going in depth may reveal these indicators as symptoms not problems. For instance what about the organizations those are socially embedded and inter-linked with each other through alliances and network. In Japan Keiretsu or Chaebol in Korea or big family based conglomerates in countries like Pakistan where social identities and ties are more important than technically or transaction driven relationship. Therefore when social ties (death of a network) cease to be effective hastens the death of an organization. Similarly if central or lynch pin organization may forcibly closed, reorganized or dissolved, the constituent organization will have to face a drift. Finally the big issue in ecology school is the issue of diversified organization (un-related diversification) or huge conglomerates who dominate the international business; are they equally affected by environment or laws of natural selection.

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LESSON # 21

FOOTNOTES TO ORGANISATIONAL CHANGE

The leading management scholar James March's study dealt with the leading attribute of organizational change. Following are the excerpts and selection from his famous article footnotes to organizational change published in one of the leading management research journal, Administrative Sciences Quarterly in 1981.
He suggested five footnotes on organization change as they emphasize the relation between change and adaptive behavior which highlights the prosaic nature of change.

Foot Note 1

Organizations are continually changing, routinely, easily and responsively, but change within them cannot be controlled arbitrarily. Organizations rarely do exactly what they are told to do.

Foot note 2

Changes in organizations depend on a few stable processes. Theories of change emphasize either the stability of the processes or the changes they produce, but serious understandings of organizations require attentions to both.

Foot note 3

Different theories of change are in fact different ways to depict different theories of action. Most changes in organization reflect simple responses to demographic, economic, social and political forces. What we identify as political, economic societal and technological (PEST) analyses are connected with different parts of environment?

Footnote 4

Although org. response to environmental events is broadly adaptive and mostly routine-based, the response takes place in a confusing world. As a result prosaic (characterless) processes sometimes have surprising outcomes.

Footnote 5

Adaptation to changing environment involves and interplays of rationality and foolishness. Organization foolishness is not maintained as conscious strategy, but embedded in such organisational anomalies as slack, managerial incentives, symbolic action, ambiguity and loose coupling.

Stable Processes of Change

One view is that change fails not because organizations are rigid and inflexible but they are impressively imaginative. According to Aldrich in most organization failure occur early in life when organizations are small and flexible, not later. There is considerable level of stability in organization and organisations are remarkably adaptive as enduring institutions, respond to volatile environments easily, though not optimally.

We are inclined to look for most dramatic explanations for change, is our common mistake. Most changes in organizations result neither from organization processes or forces, nor from uncommon imagination but from relatively stable, routine processes that relate organization to their environments. Many of the most stable procedures in an organisation are procedures for responding to economic, social and political contexts. The routine processes of organisational adaptation are

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little complex, and a theory of change must take into account how these processes can produce unusual patterns of action. Therefore theory of organization change should not be different from a theory of ordinary action.

Therefore research on organization as routine adaptive systems emphasize six (06) basic perspectives for interpreting organization action which are as under:
1. Rule following
2. Problem solving
3. Learning
4. Conflict
5. Contagion
6. Regeneration

1. Rule Following

Application of standard operating procedures (SOPs), duties, obligation, roles, rules, and criteria evolve through competition and survival, and those followed by organizations that survive, grow and multiply come to dominate the pool of procedures

2. Problem Solving

Action can be seen as problem solving. The underlying process involves choosing among alternatives by using some decision rule that compares alternatives in terms of their expected consequences. It is the rational actor model which prevails in organizations. Managers make rational choice under certain conditions of risk and cost-benefit analyses.

3. Learning

Action can be seen as stemming from past learning. The underlying process is one in which an organization is conditioned through trial and error to repeat behaviour that has been successful in the past, and to avoid that has been unsuccessful. Learning is what can be identified as experiential in nature.

4. Conflict

Action can be seen as resulting from conflicting among individuals or groups representing diverse interests. The underlying process is one of confrontation, bargaining and coalition, in which outcomes depend on the initial preferences of actors weighted by their power. Edgar Schein talked of negotiated order to exist in context of organization. Changes result from shifts in the mobilization or in the resources managers' control. This change is again a negotiated one by different members of organization who want to adjust policies as per their understanding view and influence in organization. This model is the one based on politics. Members of organization interact in a political manners and change results in a politically negotiated settlement amongst them. Another view relates to the pecking order in organization – explains the existence of hierarchical or top down order in organizations.

5. Contagion

Action can be seen as spreading from one organization to another. The underlying processes is one in which variations in contact among organizations and in the attractiveness of the behaviour or beliefs being imitated affect the rate and pattern of spread.

6. Regeneration

Action can be seen as resulting from the intentions and competencies of organization actors.

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Turnover in organization introduces new members with different attitudes, abilities and goals. This resembles organization life cycle approach and is quite like birth, growth, maturity and decline.

An organization uses rules, problem-solving, learning, conflict, contagion, and regeneration to cope with its environment and actively adapt to it. The processes are conservative that is they tend to maintain stable relations, sustain existing rules, and reduce differences among organizations. The above six processes are neither esoteric (mysterious), complicated nor mutually exclusive.

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LESSON # 22

SOME COMPLEXITIES OF CHANGE

The above six factors are closer to real life organizational dynamics; demonstrate the complexities of routines of real life. While he interaction amongst these five phenomenon makes change complex which are listed below:

1. Unanticipated Consequences of Ordinary Action
2. Solution Driven Problems
3. The Tendency for Innovation - And Organisations to Be Transformed During the Process of Innovation
4. The Endogenous Nature of Created Environment
5. The Interaction amongst System Requirements of Individuals, Organizations and Environments

1. Unanticipated Consequences of Ordinary Action

First, the rate of adaptation may be inconsistent with the rate change of environment. Unless an environment is perfectly stable, organization can not learn appropriately. This means organization always lag behind environment. Where an environment changes quickly relative to the rate of organization adaptation, the process of adaptation can easily lose its sense to be sensible and relevant. At times organization anticipates ahead of time. Example can be given from marketing. A product was launched by one sugar firm in Pakistan as liquid sugar. The idea seems too fine and advanced a concept but failed miserably given the cultural context of Pakistani society. Similarly, some products that are technologically too advanced also liable to fail because they are ahead of time. Similar is the case with changing organisation strategy and organisation when situation/ time or environment /market is not mature enough to absorb change.

Therefore, it is possible for an anticipatory process (problem-solving) to result in changes that out runs the environment and thereby become unintelligent. Second, the causal structure (cause and effect as seems obvious to us to external) may be different from that is implicit in the process. While changing through following and imitating we tend to focus external effects and ignore causal links which are benign or hidden. Since we have an incomplete picture or false model of causality, therefore eventually change can result in unanticipated outcomes. Third concurrent or parallel processes (changes at times stay parallel) appear to carry sense may combine to produce joint out come that are not intended by any one, and counter the interests motivating the individual action. For example the retention of a manual system besides going for the automated (new) one. Though avoided but these unanticipated outcomes are quite common.

Examples – Competency Multiplier

Oorganizations have procedure to involve relevant people in processes such as decision-making, planning, budgeting or the like. Individual vary in their knowledge, skills and interests about a problem. Initial participation rate vary and participating individual turn out to be slightly more competent than others. This induces them to become even more competent. Before long, the de facto composition of the group can change dramatically (than initially conceived). More generally organizations learn from experience, repeating actions that are successful. As a result they gain greater experience in areas of success than in areas of failures. This seems sensible and logical. The sensibleness of such specialization depends on the learning rate and rate of change in environment. The process can easily lead to misplaced specialization if there are infrequent, major shifts in the environment (increased specialization lead to increased dependence and hence org. is vulnerable to change)

Another example of unexpected outcome from org. routines is related with satisficing behavior of individual and organization. According to March and Simon, organization seek alternatives that will satisfy target goal rather than to look for the alternative with the highest possible value. Satisficing organization can be viewed as the organization which tries to maximize the probability of achieving targets. But it is not necessary to assume that satisficing organization will follow

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decision rules, that are, risk avoiding in good times, and, risk-seeking in bad times. For e.g. organization that are facing bad times will follow riskier means and riskier strategies, thus simultaneously increasing the chances of their survival through the present crisis and reducing their life expectancy simultaneously.

As a result organization efforts to survive in fact speed up the process of failure. Risk-seeking behavior transformation, that needs some qualification, experience and mindset to manage risk which was never cultivated earlier in organizations. Second, most of the time organization exhibit risk-avoiding behaviour by its very nature. Because, if organization goals vary with organization performance and performance of comparable organizations, then most organization will be termed reasonably good most of the time. The above example depicts how routine can lead to un-intended surprise outcome

Another example identified is of performance criteria. An organization measures the performance of its participants. Common criteria for business firms are to reward their managers on the basis of calculation of profits warned by different parts of the organization. The performance-reward linkage is to be made precise and visible for organizational control purposes as well. However this practice may lead to ignore long term consequences for organization since it is more efficient in short term because efforts are devoted to accounts rather than to performance. This may lead the participants to manipulation and maneuvering in organization.

Superstitious Learning

Organizations learn from their experience, repeating actions associated with good outcomes and avoiding actions associated with bad outcomes (Learning by association phenomenon or conditioning). This is successful in stable world. But the world is not so simple and stable all the time, experiential learning can result in superstitious learning. Example reported one author here is of pilots. The trainers reward pilots who make good landings and punishing pilots who makes bad ones. They observe that pilots who are punished generally improve on the subsequent landings, while pilots who are praised generally do worse. Thus they learn that negative reinforcement works better than the positive one. The learning is natural but the experience is a confounded one. Let me quote my own experience here about students. Students who perform better in the preliminary examination and get rewarded well will tend to perform mediocre in the subsequent examination as against the one who performs average in the preliminary examinations and improves more in the subsequent emanations. Hence these examples illustrate the variation in behavior generated by adaptive processes in a typical organization conditions which can lead to surprising outcomes.

2. Solution Driven Problems

Good examples for solution driven problems exist in our society. You can observe this in real life. For instance go to doctor and you will find long, comprehensive multi-dimensional prescription at hand. The solution is already with him without even giving listening appropriately to his patient. If you go to computer technologist for problem solving with software or system etc., the solution presented will be to reconfigure the whole system/ window etc In office meetings bosses or heads of department or organizations frequently come up with statements starting with you all .All such scenarios refer to the tendency to have a generalized solution in prior.

According to Cyert and March, “There is ample evidence of when organization performance fails to meet objective then it search for new solution, that is new ways of doing things as changes often seem to be driven less by problems than by solutions.” Why this is so? Because organizations face a large number of problems of about equal importance, but only a few solutions. Thus the chance of a solution to a particular or unique problem is small. Consequently organization scans for solutions rather than problem, and matches any solution found with some relevant problem.

Second reason is the linkage between individual solutions and individual problem is often difficult

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to make unambiguously especially when causality and technology are ambiguous. Therefore what we observe will be predicted by knowledge of solutions than by knowledge of problems. Imperatively professional change their procedures and introduce new technologies because they have knowledge of it. An organization that is modern adopts new things because that is what being modern means. When a major stimulus for change comes from a sense of competence, problems are created in order to solve them, and solutions and opportunities stimulate awareness of previously un-salient or unnoticed problems or preferences.

3. The Tendency for Innovation - And Organisations to Be Transformed During the Process of Innovation

It is observed that both innovations and organizations tend to be transformed during the process of innovation. Different and multiple meanings exist for the intended change in the organization and hence the standardization of meanings of change is a problem owing to inappropriate strategy or poor analysis It is also a common problem that change policy or program gets started with some intent and eventually end up with something else because of the fundamental ways in which changes are transformed by the process of change. Organization also gets transformed in the process. Organizations develop and redefine goals while adapting to environmental pressure; minor changes can lead to larger ones, and initial intent can be entirely lost

4. The Endogenous Nature of Created Environment

General assumption is organization takes action due to environmental pressure, and that environment is not influenced by organizational actions. But organizations create environment as well, and the resulting complications are significant. For e.g. action of one competitor becomes an environment of another, therefore each competitor determines its own environment. For example an executive of a leading shoe firm revealed why their firm does not charge higher prices despite producing a quality product of international standards? Because this will become an industry standard and other competitors will follow without delivering the same quality. This type of behaviour is inline with corporate social responsibility.
Hence adaptation is not learning about fixed environment but is to deal with continuously changing. Therefore organizations are quite capable of influencing and creating their own environment by the way they interpret and act in a confusing world. So what happens practically is that small signals out of routine or adaptive processes get echoed back to organization (through environment) in an amplified manner, and hence may result in changing organization simultaneously and endogenously

5. The Interaction amongst System Requirements of Individuals, Organizations and Environments

Though this is oversimplification, nonetheless, it is possible to see an organization as an intermeshing of three systems: individuals, collection of individuals (which is organization) and environment (which is collection of organization). Conflicts might exist in the demands of these three. While classical literature focuses on making individual and organization demands compatible, but in the analysis of organization change it seems that individual in organization and organization itself has different requirements in the collection of organization (which is environment). The question is how to place all three in equilibrium? Finally organization is complex combination of activities, purposes and meanings.

Even impressive integration of formal organization, should not however, obscure the many ways in which organization is loosely coupled. Behavior is loosely coupled with intentions, and intentions are loosely couple with actions; actions in one part of the organization are loosely coupled with actions in another part; actions of today are loosely coupled with actions of tomorrow. Such loose coupling does not appear to be avoidable. These do not relate to theory but pertains to adaptive process of change.

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LESSON # 23

ORGANIZATIONAL ADAPTATION

The word adaptation is a metaphor that captures the endeavours of organizations to be fitted better to its environment. Two things remain prominent with organisation in this process:

1) It has an articulated purpose
2) An established mechanism for achieving it.

Most organizations are constantly evaluating their purposes, questioning, verifying and re-defining the way of interaction with their environments. Effective organisations maintain alignment with its environment, and ineffective organization fail to maintain the alignment with environment. These effective organizations also constantly modify and refine the mechanism by which they achieve their purposes and are re-arranging their structure of roles, relationships and managerial processes. Hence the essence of management is coping with external environmental change by changing objectives, changing structures and changing processes

We will discuss here the same as the concept of organisation adaptation frame-work or model as proposed Miles and Snow. The model contains two major elements:

1. It specifies the major decisions needed by organization to maintain an effective alignment with its environment.

2. This also highlights an organisational typology which portrays different patterns of adaptive behaviour.

The Adaptive Cycle:

Strategic Choice theorists argue that organization behaviour is only partially ordained by environmental conditions and the choices made by top managers are the critical determinant of organization structure and processes. The adaptive cycle is present in all organization, according to Miles & Snow, and it is more visible in new or growing organizations

Now the question is what is meant by adaptive cycle? This has been defined by the two leading scholars as under:

The Entrepreneurial problem

An entrepreneur must give a concrete definition of organization domain: a specific good or service and a target market or market segment, and the entrepreneurial problem is an added dimension. In either a new or on-going organization the solution to entrepreneur problem is marked by management's acceptance of a particular product-market domain, and this acceptance becomes evident when management decides to commit or allocate resources.

Second is to achieve objectives related to the entrepreneur domain. In many companies entrepreneurial solution is sought by through the development and projection of an organizational image, internally and externally. Therefore in this phase two important phenomena are the identification of a new opportunity and the initial impetus for movement toward it. Engineering problem begins to appear at this stage.

The Engineering Problem

The engineering problem involves the creation of a system which operationalizes management's solution to the entrepreneurial problem. Such a system requires management to select appropriate technology (input-transformation-output) for producing and distributing the chosen product, and

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further need new information, communication and control linkages. (Job-order, batch or flow production) As solution to the problems are reached through initial implementation of the administrative system but final configuration of the organization will be reached as management consolidates relations with the environment (final shape of the organization will be settled during administrative phase)

The Administrative Problem

Administrative system is to reduce uncertainty within the organizational system. Therefore in this phase management establishes process for coordinating and controlling internal operations and rationalizing the system already developed. It also involves formulating and implementing those principles which will enable the org. to continue to evolve (innovation). This phase is termed pivotal by the author in the cycle of adaptation owing to the followings:

Rationalization and Articulation

Management must be adept at two conflicting functions: first, to create an administrative system (structure & processes) for monitoring and controlling current activities and second, at the same time allowing the system not to jeopardise the future innovation. This has been identified as lagging and leading variable in the process of adaptation. The lagging variable suggests organization must rationalize through the development of appropriate structure and processes, strategic decisions made at previous points in the adjustment process. While the leading variable the administrative system must facilitate the org. future capacity to adapt by articulating and reinforcing the paths along which innovative capacity can proceed. Therefore an administrative system is such to deal with past and future. The same dilemma can be identified in the classical principle of Henri Fayol; especially when he talked of maintaining stability and initiative in the organization. In terms of marketing management of an organization the same problem persists as revenues from existing product and at the same time the need to develop new products and businesses. The dilemma is, how can we get both out of the same structure one needs innovation and creativity while the other demands tight discipline and regimentation?
Having dealt with adaptive cycle as given by Miles and Snow the question then arises how organisations move through the cycle. For this we need to understand the typology presented by them in the form of different set of organizational strategies. The question is what strategies organizations employ in solving their entrepreneurial, engineering and administrative problems. The research of Miles & Snow shows that there are essentially three-strategic types of organizations:

1. **Defenders**
2. **Prospectors**
3. **Analyzers**

Each strategy has a distinct way to engage or interact with its environment. Each type has its own unique strategy for relating to its chosen market. Each has a particular configuration of technology, structure and process that is consistent with its market strategy. Besides the fourth type of organizations exist known as Reactor, which is identified by Miles & Snow as a form "Strategic failure" owing to inconsistencies among its strategy, structure, technology and process.

1. **Defenders**

The defender deliberately enacts in an environment for which a stable form of organization is appropriate. Stability is achieved by the defender's definition of, and solution to its entrepreneurial problem. The defenders define it as " how to seal off a portion of the total market in order to create a stable domain, and they do so by producing only a limited set of products directed at a narrow segment of the total potential market. With in this domain defender strives aggressively to prevent competitors entering its turf, but also ignores developments and trends outside of their domains. Over a time he is successful in carving out its own niche which is difficult for competitors to penetrate.

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The engineering problem for the defender is how to produce and distribute goods as efficiently as possible? The defender does so by developing a single core technology that is highly cost efficient out put on continuous and predictable basis. Some defenders follow vertical integration strategy by incorporating each stage of production from raw material to distribution of final output.

The defender's Administrative problem is "How to achieve strict control of the organization in order to ensure efficiency. So this is resolved through structural-process mechanism described as mechanistic bearing the following features:

i) Top management group heavily dominated by production and cost-control specialist
ii) Little or no scanning of the environment for new avenues.
iii) Functional structure characterized by division of labour, centralized control, communications through hierarchical channels

Such administrative is suitable for generating and maintaining efficiency but have adaptive or adaptability problems. Therefore this system operates well for stable industries and is ineffective for turbulent industries (where market environment changes quickly)

For example this view of strategic adaptation is popular amongst managers in developing countries e.g. electronic industries in context of Pakistan split air conditioner may be different from traditional manufacturers of window air conditioning units. The question then is why traditional stable business in this industry was un-able to realise and adapt quickly in the changed environment. Or it is the organization who acted like defenders of the Miles & Snow's typology.

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2. PROSPECTORS

The prospector enacts an environment that is more dynamic than other types of organizations. Unlike the defender, whose success comes primarily from efficiently serving a stable market, the prospector's prime capability is that of finding and exploiting new product and market opportunities. For Prospector maintaining a reputation as an innovator in product and market development may be perhaps more important profitability

Entrepreneurial problem for prospector is how to locate and develop market opportunities? The systemic addition of new products or markets, combined with retrenchment in other parts of domain characterizes the prospector. The prospector must have the ability to scan, survey a wide range of environmental trends and events. So the organization spends heavily on individual and groups who scan the environment. Change (within industry and to different industry) is major tool of the Prospector manager to gain edge over competitors. Product and market innovation protect the organization from a changing environment but the organization risks the low level of profitability and stretch (over expansion) of it resources.

Engineering problem for prospector is how to avoid long term commitments to a single technological process? Therefore the solution for this problem from prospector's perspective is to invest in flexible, proto-type technologies, and also to invest in multiple technologies. Prospectors have low degree of routinization and mechanization. Prospectors believe in organic organization where technology is embedded in people. Therefore technological flexibility permits a rapid response to changing domains but the organization cannot develop economies (or efficiency) in production and distribution system because of multiple technologies. This type of decentralisation increases cost as economies are difficult to achieve through this way.

Administrative problem for prospector is how to facilitate and coordinate (rather control) numerous and diverse operations? Solution for this problem for prospector lies in having organic-structure-process mechanism. Therefore top management is dominated by R & D and marketing experts, planning is broader rather than intensive, and oriented towards results not methods. The prospector's structure is characterised by low degree of formalization, decentralized control, lateral and vertical communication, etc. Therefore flexibility is the catchword for all three types of problems of entrepreneurial, engineering and administrative. Administrative system is ideal to maintain flexibility and effectiveness but may result in underutilization or misdirected utilization of resources.

3. Analyzer

The research shows that the defender and prospector seem to reside at the opposite ends of continuum of adjustment strategies. Between these two extreme we have analyzer and it is a unique combination of the two types. A true Analyzer is an organization that attempts to minimize risk while maximizing the opportunity for profit. It combines the strengths of both the prospector and defender into a single system. The best word to describe Analyzer's adaptive approach is "balance".

The entrepreneurial problem is how to locate and exploit new products and market opportunities while simultaneously maintaining a firm base of traditional products and customers. The obvious solution is to operate in hybrid domain – that is both stable and changing. The analyzer move towards new markets or products only after their viability has been demonstrated. This may be accomplished though imitation of the prospector once success is demonstrated by the prominent prospector. At the same time majority of the analyzer's revenue is generated by a fairly set of traditional products or markets a defenders' attribute. The operational efficiency of defender is to pursue and effectiveness of prospector in looking for new markets and products. Therefore analyzer can grow through both market penetration and market development strategies.

The duality of analyzer's domain is reflected in its engineering problem and solution. The main problem for analyzer is how to be efficient in its technology which a stable portion and to be a

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flexible in changing portion? The organization must learn how to achieve and protect equilibrium between conflicting demands for technological flexibility and for technological stability.

This equilibrium is accomplished by partitioning production activities to form a dual technological core. Stable component resembles the defender's technology functionally organized, routinized, standardized and mechanized while flexible technological component resemble the prospector's technological orientation – functionally decentralized and organic.

Administrative problem is how to differentiate the organization structure and processes to accommodate both stable and dynamic areas of operation. Therefore analyzer solves this problem through some version of matrix organization. The head of key functional units, most notably engineering and production unite with product managers (usually housed in marketing department) to form a balanced dominant coalition. The product managers' influence is usually greater than the functional manager since his task is to identify promising product- market innovations and to supervise their movement through applied engineering and into production in a smooth and timely manner. The presence of engineering and production in the dominant coalition is to represent the more stable domain and technology which are the foundations of the Analyzer's overall operations.

4. Reactors

Besides the fourth type of organizations is Reactors. This type of organization exhibits a pattern of adjustment to its environment that is both inconsistent and unstable. This type lacks a set of response mechanism which it can consistently apply to a changing environment. The reactors adaptive cycle usually consists of responding inappropriately to environmental change and uncertainty, performing poorly as a result, and then reluctant to act aggressively in the future.

Interesting question here would be why organizations become reactors? Three reasons cited by the authors, Miles & Snow et al, and are as follows:

i) Top management may not have clearly articulated the organization's strategy. For example a company founded by one-man (prospector with immense personal skills) successfully establishes its business but upon his death the firm is in strategic void.

ii) Management does not fully shape the organization structure and processes to fit to a chosen strategy. Strategy is a mere statement not a guide to behavior; similarly functional strategies might not be aligned. This is a typical case with organizations in LDCs to come forth quick with beautiful written vision and mission statements and other strategy documents.

iii) The ultimate cause of instability and failure might be the tendency on the part of management to maintain the organizations current strategy-structure relationship despite overwhelming changes in environmental conditions.

Adaptation and Strategic Management

Adaptation in one respect can be identified as strategic management as well. Therefore some scholars define strategic management as the process of continuously adapting to the changes in a firm's environment is called strategic management. According to Scott and Greiner too, "strategic management is not only needed to cope with changes in firm's external environment but also to cope with changes caused by processes internal to the firm (Scott, Greiner)". While to Ansoff the question is how do we configure the resources of the firm for effective response to unanticipated surprises? This leads us to the recently developed perspective of strategic management known as Resource Based View (RBV).

According Cyert and March, "The successful strategy itself would be a destabilizing influence (effect) on that strategy because of the surplus or slack" Because as the firm enjoys success generates

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surplus (of profits and resources) as a consequence and can therefore seek new acliv!lies **and** strategies (expansion in newer areas) which is destabilizing in nature. Nonetheless a distinction has to be made between strategies of action triggered by "changes in the external environment" and a "strategy of structure". Hence the bigger question for Ansoff is, "how do we configure the resources of firm for effective response to unanticipated surprises"

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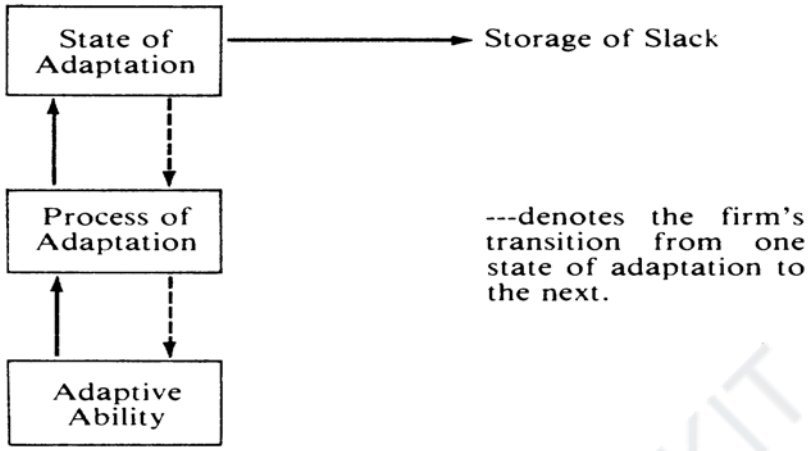
SKELETAL MODEL OF ADAPTATION

A state of adaptation, in a biological sense describes a sate of survival for an organism. Analogously, a state of adaptation for a business organization is one in which it can survive the conditions of its environment. There may be several niches available to a firm for surviving the conditions of its environment.

A Skeletal Model of Adaptation



States of Adaptation

Simon gives us a three modes that are open to a system

1. Passive insulation (Defender)

2. Reactive negative feed back (Analyzer)

3. Predictive or Proactive adaptation (Prospector)

Three states of adaptation are given by Chakravorti. He used the terms as unstable state, stable state and neutral state. All three states of adaptation are viable. The unstable state is the most vulnerable to changes in the firm's environment, a neutral state is the most vulnerable, and a stable state vulnerable only to certain environmental changes.

In the unstable state, a firm tries to buffer itself from its environment, as it is extremely susceptible to environment to environmental changes. The manager of such a firm, concerned with the fragility of the firm's adaptation is continuously on the lookout for new buffering arrangements. These firms are called defenders and have narrow product-market domains, and they seldom seek to make major adjustments in their technology, structure or methods of operations. To Miles and Snow such an organization adapts by simply ignoring the environmental events or demands.

A stable state describes the state of adaptation in which instead of buffering itself from the environment, the firm is open to it and, in fact offers a reactive move in keeping with every move of the environment. The firm reacts to environmental changes and complies with environmental mandate. Called an analyzer , by Miles & Snow, such a firm has a buffered core like the defender, but unlike the defender it also has extensive market surveillance mechanism that enable it to imitate the best of products and markets by others.

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In a neutral state, a firm can withstand most environmental changes because they have been anticipated before their occurrence and the firm has invested in the requisite adaptive ability. For Miles and Snow such types of organizations are called "prospectors" which are in continuous search for market opportunities. They often create changes in their environment, to which their competitors must respond. "A true prospector is almost immune from the pressures of a changing environment since this type of organization is continually keeping pace with change, and…frequently creating change itself", accords to Miles & Snow.

All the three states of adaptation are viable ways of coping with the environment. Defender, Prospector and Analyzer are all "stable" form of organizations, and manager chooses to pursue either of these strategies to cope effectively with its competitors. "If management chooses to pursue one of these strategies, and designs the organization accordingly, then the organization may be an effective competitor in the particular industry over a considerable period of time"

All state of adaptations does not have the same immunity from environmental changes. The neutral state has the highest immunity, followed by the stable and unstable states. A firm seeking to ensure its future should prefer a neutral state of adaptation over the other two states. But then the fundamental question arises: Why do not all firms show for the preference for such an ideal option? (Similar to the teacher-student environment metaphor, why cannot all students get the same grade or a grade?). The answer has two parts:

1. The state of adaptation depend on the firm's resources that it commands – (adaptive ability)

2. The nature of management processes within these firms (process of adaptation) influences the state of adaptation sought

Determinants of Adaptive ability

How can adaptability be improved? Lawrence & Lorsch gave the concept as differentiation and integration. Improving on firm's differentiation and integration would increase its adaptability. Christenson called this as level of organization – which again is composed of differentiation and integration, and then relabeled as Organizational Capacity.

The organization capacity measures the information processing ability of firm, and is an aggregate measure of the human resources of that firm. Andrew suggests that adaptation is measure by the nature and extent of the firm's material resources. Miles and Cameroon defines the same as Environmental Receptiveness Cluster which influences the state of adaptation. The cluster includes two things:

1. Resource scarcity the extent to which elements in the input of an org. lean in needed resources

2. Internal resources defined as the generalizability of a firm's core technology and expertise, and the extent of its slack. Material resources include inputs like finance and technology.

The Process of Adaptation

The process of adaptation consists of two sub-processes: Adaptive generalization and Adaptive Specialization

i) **Adaptive Generalization**

It is the process of improving the goodness of fit in a given state of adaptation. It refers to the rationalization of processes and structure using Material Capacity (MATCAP) and Organizational Capacity (ORGCAP) for moving to the nearest adaptive fit. Adaptive generalization refers to the process that improves the survival potential of the organization. Managing slack is the key to

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adaptive generalization. This requires that an old fit be consciously disturbed for the sake of new and higher fit. (Require MATCAP & ORGCAP)

ii) **Adaptive Specialization**

This involves the choice of strategy appropriate to the environment and resources of the firm, and the design of a matching structure. An important part of strategic management is adaptive specialization, which involves:

1. Managing the choice of purpose for the firm so as to exploit its material and organizational capacities optimally

2. Minimizing the misfit, in the match between the chosen purpose and the firm's ORGCAP and MATCAP

Adaptive specialization involves formulation of strategy keeping in view firm's resources. Adaptive generalization and adaptive specialization follow each other in a cyclical pattern.

References:

The above lecture notes are essentially prepared from the following articles; excerpts and clippings are also taken from the same:

Chakravarthy Balaji S, "Adaptation: A Promising Metaphor for Strategic Management," The Academy of Management Review, Vol. 7, No. 1 (Jan., 1982), pp. 35 – 44

Miles, Raymond E, Snow Charles C et al, Organization Strategy Structure and Process, The Academy of Management Review, Vol. 3, No. 3 (Jul. , 1978), pp. 546-562

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LESSON # 26

STRATEGIC CHANGE

Before going to discuss the concept of strategic change let us first discuss the concept of strategy. What do we mean by strategy, its components and its usage as a word "strategic" especially? For instance one may observe its wide usage as strategic investment, strategic management, strategic finance and strategic planning and strategic marketing etc. Therefore when ever we talk of strategy it is essentially assumed that we are also dealing with its inalienable components which are as under:

1. Objectives - this may also mean vision, mission, goals and targets

2. Resources – financial, human, informational, technological etc.

3. Environment – Government, customer, society, economic conditions and specific environment means particular to industry in which organization operates like vendors, buyers competitors etc. The environment may be friendly, hostile or neutral.

4. Time orientation – short term or long term orientation

5. Competitors – strategy or tactics of competitors, nature of competition and rivalry

Therefore for students of business it is important to know the constituent elements of the word strategy whenever it is referred.

This lecture is based on the chapter of a very popular book on strategic management, comprising of a comprehensive framework for managing strategic change is given which is as under.

A Framework for Managing Strategic Change

1. Diagnosing the Change situation

- Types of Strategic Change
- The Importance of context
- Organization culture
- Force field analysis

2. Management Styles and Roles

- Styles of managing change
- Change agency roles: Strategic leaders, Middle managers, Outsiders

3. Levers for managing change

- Structure and control
- Routine
- Symbolic processes
- Political processes
- Communication
- Change tactics

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1. Diagnosing the change situation

- **Types of Strategic Change**

First step in diagnosing the change situation is whether change is needed or not. If the change is needed then related question would be of what type? Therefore our concern is to identify various types of change. Balogun and Hailey have given the following typology of strategic change so as to identify the types of change required. The nature of change in an organization can be incremental or big bang one. Incremental change is built on skills, routines and beliefs for bringing in efficiency. While the big-bang approach to change might be needed on occasions, for example if the organization is facing crisis or needs to change its direction. The scope of the change means whether change can occur within the current paradigm that is, current organizational beliefs and assumptions, and can be classified further as realignment of strategy rather than a fundamental change of strategic direction. Or change requires a paradigm change, that is, transformational change. Combining these two axes we have four types of strategic change, as given in the figure below:

		Scope of Change	
		TRANSFORMATION	REALIGNMENT
Nature of Change	INCREMENTAL	**EVOLUTION**	**ADAPTATION**
	BIG BANG	**REVOLUTION**	**RECONSTRUCTION**

Adaptation is change which can be accommodated within the current paradigm and occur incrementally. It is the most common form of change in organizations

Reconstruction is concerned with rapid change and upheaval in an organization. For example organization may make structural changes like major cost-cutting programmes to deal with difficult or changing market conditions.

Evolution is change in strategy which requires paradigm change but over time. Evolution can also explained in terms of taking organization as learning system continually adjusting their strategies with the changing environment. This we discussed earlier as learning organization. But the danger in following incremental and evolutionary and incremental change lies in experiencing strategic drift, as organizations are based and bounded by the existing paradigm and routines of the organization

Revolution is change which require rapid and major strategic and paradigm change, or where strategic drift has resulted in developing extreme pressures for change.

- **The Importance of Context**

There is no one right for the management of change. The success of managing change will also be dependent on the wider context in which that change is taking place. Balogun and Hailey therefore build a number of important contextual features that need to be taken into account in designing change programmes. Some contextual features are:

i) Time - How quick change is needed?

ii) Scope - What degree of change is needed?

iii) Preservation - What characteristics to retain and what combination to change?

iv) Diversity - How homogeneous or heterogeneous the organization is from within?

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v) Capability - What is the managerial and personal capability to implement change?

vi) Capacity - What is the degree of change resource available?

Vii) Readiness - How ready workers and managers at multiple levels are?

Viii) Power - What power does the change leaders have to impose? Who has the power to effect change?

- **Organisation Culture as context**

It is the organization culture which always shape and guide strategy. We will now look more closely at the process of culture change. Culture change is difficult and time consuming because "culture" is rooted in the collective history of an organization, and because so much of it is below the surface of awareness. In general, the process of culture change must include the following steps:

- Uncover core values and beliefs. These may include stated values and goals, but they are also embedded in organizational metaphors, myths, and stories, and in the behaviours of members.

- Acknowledge, respect, and discuss differences between core values and beliefs of different subcultures within the organization.

- Look for in-congruencies between conscious and unconscious beliefs and values and resolve by choosing those to which the organization wishes to commit. Establish new behavioural norms (and even new metaphor language) that clearly demonstrate desired values.

- Repeat these steps over a long period of time. As new members enter the organization, assure that they are surrounded with clear messages about the culture they are entering.

- Reinforce desirable behaviour.

- It's clear that culture change is an ongoing process, so it's very hard to identify organizations that have "completed" a successful culture change.

- **Force field Analysis**

We have earlier talked about force field analysis. A force field provides an initial view of change problems that need to be tackled, by identifying forces for and against change. More relevant questions in this context can be asked like the followings:

What aspects of the current culture might aid change in the desired direction, and how might these be reinforced? What aspects of the current culture would block such change, and how can these be overcome? What needs to be introduced or developed to aid change? Johnson and Johnson have identified a generic example of force field analysis as pushing forces and resisting forces:

Pushing forces	**Resisting forces**
High quality service	Work load / Overload
Ethos of hard work	Fire fighting
Flexibility	Departmentalism
Devolved services	departmental barons
	Formality of management
	Stories of good old days
	Blame culture
	Deference

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LESSON # 27

MANAGEMENT STYLES AND ROLES

- Education and communication involve the reasons for and means of strategic change. Educating and communicating about strategic change might be very time consuming activity, and direction might not be clear to managers especially in large organizations. Change may be ineffective owing to misinformation and ineffective communication. For strategic change to take place reliance on top down communication processes may be problematic.

- Collaboration or Participation in the change process is the involvement of those who will be affected by strategic change in the identification of strategic issues, the strategic agenda, the strategic decision making processes or the planning of strategic change. This can help in increasing ownership and commitment to change and change process. It may entail the setting up of project teams or task forces. Nonetheless, this may prove to be more time consuming process but would lead to enhance the quality of decision. Strategy workshops can be quite useful for cross levels of management to work on particular strategic problems, provide solution within a larger strategic framework and drive change mechanisms down to routine aspects of organizational change

- Intervention is the coordination of and authority over processes of change by a change agent who delegates elements of the change process. Change agent retains control though interventions. For example, at particular stages of change such as idea generation, data collection, detailed planning, the development of rationale for change and the identification of critical success factors are delegated to project teams. If such teams do not take full responsibilities of the change processes then change sponsors tries to ensure the monitoring of change progress.

- Direction involves the use of personal managerial authority to establish a clear future strategy and how change will occur. It is essentially top down management of strategic change. It may be associated with clear vision or strategic intent developed by someone seen as leader in the organization. There are different styles of managing change. Two broad categories are directive and participative styles. Different stages in the change process may require different styles of managing change. Directive style is speedy and effective but runs the risk of overall acceptance while participation or intervention may be helpful in gaining wider acceptance and commitment across the organization but at the same time tends to be slower in its pace. If the organization corresponds to the kind of adhocracy, network or learning organization, it is likely to employ collaboration or participation based styles. In the most extreme for directive style becomes coercive, engaged in the imposition of change. This is a type of forced learning entailing explicit use of power but may be necessary for the organization facing crisis or concerned with large scale and rapid organizational transformation. Such type of transformation is least successful without crisis or creating crisis.

- **Change Agent Roles**

Change agent is an individual or group that affects strategic change in organization. In simple words change agent is the creator of change or strategy. These may be senior executives or CEO, middle level managers, and outsiders like consultants. Traditionally it is the external consultants, especially in the Western economies who are hired for their specialized job and expertise to come and visit organization to diagnose the ailment and give prescription for corrective measures in strategy or structure. Another type of change agents are internal consultants or senior executives, and can be identified as strategic leaders who are well verse with organization's problems and policies. The approach of such in-house strategic leaders could be legal, bureaucratic, transactional or transformational. Nonetheless the common prescription is that strategic change could take place meaningfully if the CEO or strategic leader is visionary. Therefore we need a transformational or

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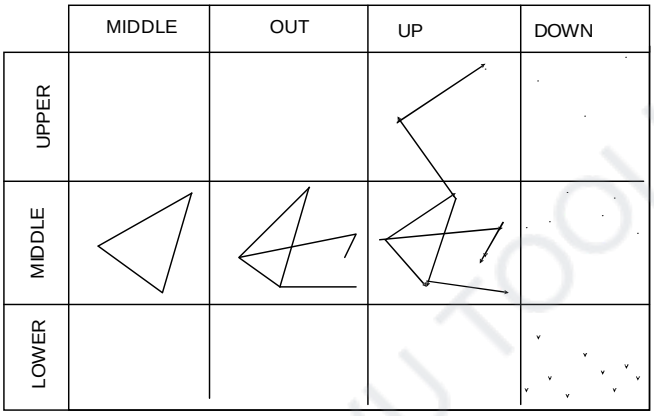
visionary leadership in order to have strategic change. The question of course now will be what the attributes of such type of leadership are. From our own cultural perspective one such prescriptions is given by our national poet as

The attributes of a leader as someone who is a visionary, true communicator – a communication which touches heart and full of empathy and commitment – who stands committed and can have feelings of others

Another perspective is MOUND model of change management which emphasizes greater role for the middle level manager as change agent. Therefore, recall your memories for Z theory of management which says policy making, implementation and organizational actions will be most effective at middle levels of management instead of top down (theory X) or bottom up (theory Y). This essentially is known as "ringsei" in Japanese language which means consensus oriented decision making. The logic is that is the middle level managers and their network who have greater levels of collegiality, communicability and placed strategically between senior executives and lower level workers and supervisors to bridge the gap and hence make organization effective in seeking its goals and objectives effectively. The MOUND model is illustrated below:

The Mound Model for Change



This means ay idea or strategy which is conceived by middle level of any one function area or department quickly moves out at the same horizontal level to middle level managers in other function areas or departments. The idea or strategy soon moves upward to senior executives and CEO, and once they get convinced by newer suggestions make part of organization wide policies. Hence the new idea or strategy then quickly moves downward. The MOUND model seems more appropriate for managing change in large organizations and bureaucracies where distances between top level managers and implementation levels are very high.
Recent concept of change agent might include lower level managers and workers, especially from knowledge worker and knowledge management perspectives. The concept of knowledge worker is that all members of the organizations are considered knowledge workers even those who are the shop-floor level, have tacit knowledge and know their job best, and can contribute effectively for organization through a conducive learning environment.

3. Levers for managing strategic Change

The followings are different levers that can be employed to manage strategic change:

- **Structure and Control Systems**

Changing aspects of structure and control of organization are considered important aspects of strategic change. But most of the time top managers may change strategy but behaviour and assumptions remain the same, with the result that change programme tends to be ineffective. What

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is more important is that whether the proposed strategic change brings in conformity of thinking values and system or promotes and incorporates criticality? Generally when we talk of system we mean to stress uniformity, conformity and stability but systemic thinking also tend to incorporate different views of reality and critical thinking. Because system itself is composed of various subsystems having different demands and functions. Therefore it is important for change agents and change leaders while designing structure and control system that it should not just be considered for manufacturing consent instead should be directed to promote knowledge and values appropriate for strategic change.

- **Routines**

Routines are the organizationally "specific ways to do things around here" which tend to persist over time and guide people's behaviour. Routines may also be considered as a double edge sword in the sense that it may lead organization to carry its operations in distinct ways and achieve its competitive edge, but also present a risk to act to block change and creativity, and may lead to strategic drift.

Changes in organizational routines can be a powerful signal of and stimulus for change because change in strategy should correspond to change in implementation or operations. But then routines are closely related with the existing paradigm, hence changing strategy means changes in taken for granted assumptions and taken for granted routines and ways of doing things that are the cultural elements. Routines are even considered more powerful than even education and communication technique of changing people. Thus changing routine is a good technique to change behaviour which may help people in evaluating and changing their beliefs and assumptions. Therefore it is suggested for managers who are trying to effect strategic changes to take personal responsibility not only for identifying changes in routines, but also for monitoring that they actually occur. The changes may appear to be mundane but they can have significant impact.

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LESSON # 28

SYMBOLIC PROCESSES

Change processes are not always of an overt, formal phenomenon and may also be symbolic in nature. Symbolic acts and artefacts of an organization and managers help preserve the paradigm, and there exist a relation ship between organization culture and its strategy. Symbols are objects, events, acts or people which express more than their intrinsic content. They may be everyday things which are nevertheless meaningful in the context of a particular situation. It is argued that the creation or manipulation of symbol has impact, to the extent that changing symbols can reshape beliefs and expectation because meaning becomes apparent in day to day experience in the organization.

Many of rituals of the organizations are implicitly concerned with effecting or consolidating change. They are capable of being managed proactively: new rituals can be introduced or old rituals done away with. Symbolic significance is also embedded in the systems and processes of the organization. Reward system, information and control system, and the very organizational structures that represent reporting relationships and often status are also symbolic in nature. For example take the case of selection interview for organization. A highly formal interview procedure may signal a mechanistic, hierarchical organization, whereas a more informal dialogue is likely to signal an environment and expectation of challenge and questioning. If selection processes are changed, different types of managers are appointed, and visible encouragement to challenge and questioning is given, this can signal within the organization a commitment to strategic change. In this sense selection processes are symbolic in nature.

Similarly changes in physical aspects of the work environment are powerful symbols of change. Typical here is the location and change of location for head office, relocation of personnel, changes in dress or uniform, and alteration to office space or office space

The most powerful symbol of all is the behaviour of change agent themselves, particularly strategic leaders. Their behaviour, language and the stories associated with them signal very powerfully the need for change and appropriate behaviour relating to the management of change.

Beside stories, rumours on grapevine the use of language used by change agent also effects change process. Either consciously or unconsciously change agents may employ language and metaphor to galvanise change. In this context language is also powerful not only for the communication of facts and information but because of its symbolic significance and is able to carry several meanings at once.

- **Political Processes**

One can not escape politics where there is human concern. The reconfiguration of power structure in the organization is needed which depends on the nature of change. Radical or transformational the type of change more radical will be the reconfiguration of power structure. The momentum for change will need powerful advocacy within the organization, typically from the chief executive, members of board, union and other influential outsiders. Change occurs in organization combining the interest and power of individual and groups, thereby making the understanding of political context in and around organization quite essential for achieving change successfully.

Like else where in organization too there is a ruling party (unsaid) and opposition party whether it is a public or private sector organization. Members of organization perceive to be on either side, and the nature of nature of opposition varies from the type of industry, sector and size of organization. Similar concept is of organization elite, trustworthy and loyal people are appointed on key or prime position for the use of authority and control of resources. Thus change may either means a threat for existing elites or perpetuation of their rule. Therefore people, rules and resources are manipulated to

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achieve change related objectives. The successful change management means involvement in the political activities like building the power or political base, overcoming resistance and achieving compliance for change related policies and objective. Categorically stating the political activities may include the followings:

i) to build the political support or power base ii) to encourage support or overcome resistance
iii) to achieve commitment to a strategy or course of action

COMMUNICATING CHANGE

Of all, communication is perhaps the most complex human and organizational phenomenon. So communication change, what it is intended to achieve or what is involved in the communication process and the way to communicate is in fact a very complex one. The effective communication of vision, mission and strategic intent down to lower tiers of or all across organization is not a simple and easier task. It may be important to clarify and simplify further the priorities of the strategy. One approach is to emphasise a limited number of key components or aspects of strategy rather than to communicate the strategy with overall complexity and ramification. The choices of media also vary from employing techniques such as face-to-face, one-to-one, through routine bulletins and notice boards and circulars around the organization. The involvement of members of organization in the strategy development process or planning strategic change is also, in itself is means of communication and can be very effective. Communication needs to be seen as a two-way process. Feedback on communication is important, particularly if the changes to be introduced are difficult to understand or threatening or if it is critically important to get the changes right. One such effective technique to get feed back is through focus group employed by senior executives to see the implementation and acceptance of change. Another powerful technique is the use of grapevine (informal communication) which takes the form of gossips, rumours and storytelling. Now senior executive wants to control and manage the grapevine in the best interests of the organization.

- **Change Tactics**

There are also some very specific tactics of change which might be employed to facilitate change process

i) Timings

The importance of timing is often neglected in thinking about strategic change. Timing also refers to choosing the right time tactically to promote change. For example the greater the degree of change the more it may be useful to build on actual or perceived crisis. If members of the organization perceive a higher risk in maintaining the status quo than in changing it, they are more likely to change. Another important tactic for acceptance or rejection of change is the sequence of events; or how the change is introduced, piecemeal or as a whole and which should come first and which should come later.

ii) Dismissals, Job Losses and Delayering

Change programmes are often associated with job losses, from the closure of units of the organization, with hundreds or thousands of job losses, to the removal senior executives or even chief executive. For example this becomes so especially if the organization is in its drive for automation, resulting in the removal of the whole layers of management and hierarchy. It was during 1990s when larger MNCs were going for mergers, restructuring and outsourcing that thousands of employees lost their jobs out of change in strategy. Therefore the tactical choice of where job losses should take place related to the change programme

iii) Visible Short Term Wins

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Strategy may be conceived of as having to do with long term direction and major decisions. Nonetheless what is essential is to have the implementation of strategy is that change programme should have detailed action plans and tasks associated with strategy. For example a retail chain developing a new store concept and demonstrating its success in the market may need short term wins like the effective breaking down of working of old ways and the demonstration of better ways; the speeding up of decisions by doing away with committees and introducing clearly defined job responsibilities, and so on.

iv) Promoting Winners & Heroes

Change most of the time result in creating either winners or losers. It is not considered win-win for every one. What is needed by senior leadership is to promote winners and heroes as symbol of high performers so that this may create a culture of high performance. Success stories are propagated amongst managers for their mind and behavioural programming and repeat success. This in overall is considered important tactic in the implementation of strategy.

References:

This lecture is based on Chapter 11, Managing Strategic change of Exploring Corporate Strategy written by Johnson & Johnson. 10th edition.

For change in organization culture see further www.soi.org

For MOUND model see Alex Miller's book on Strategic Management 4th edition

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LESSON # 29

STRATEGIC CHANGE (Continued)

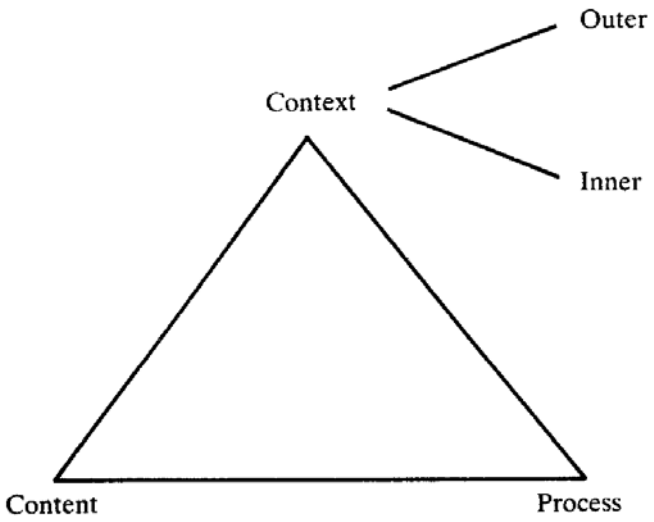
The concept of change and strategic change can be interpreted and understood from different perspective. Here the concept will be discussed from an organizational transformation perspective. One such perspective is given by Andrew M Pettigrew, one of the leading management scholars, who proposed that change should not be considered only in terms of the processes, but should also be considered from the historical, cultural, and political features of the organization. His model reveals a continuous interaction between the context of change, process of change and content of change. He defines context as why and when of change, and is constituent of outer context and inner context. The outer context refers to prevailing economic circumstances whereas inner context is concerned with internal influences such as resources capabilities, structure, culture, and politics. Content is defined as what of change, and is concerned with areas of transformation. While "process' is described as how of change. This refers to actions and interactions of the various stakeholders as they negotiate proposal for change. The model is useful for understanding complexities of organizational change even for smaller and ordinary level of change.

Pettigrew & Whipp's Typology

In his article, "Context and action in the organizational transformation", Pettigrew gave the partial review on the literature for leadership, and then tried to develop the linkage between leadership and organizational transformation. According to Pettigrew and Whipp the essential dimensions of strategic change are context, content and process of change. Let us deal with them in details one by one:

1. **Context on X-axis (Why of change)**

There are some authors like for instance Berg, Kervasdoue & Kimberly who consider change as an ahistorical, aprocessual and acontextual in character. This is also because of the methodological problems associated with social sciences in general and the organization and management studies in particular. Very few studies reveal that change process is studied substantially from the temporal and contextual perspective. For example you might have observed that management principles we study are most of the time are sweeping generalisations devoid of context in which they are evolved. This is also important to see whether change project is studied as a single event or as a set of discrete episodes separated from immediate and more distant antecedents. Such episodic views give only a snapshot view and fail to provide data on the mechanisms and processes through which changes are created. He suggested contextual analysis for observing the transformational change meaningfully. See the figure below for this.



The broad framework guiding the research

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The figure above reveals that strategic change or major organizational transformation would involve questions about the content, context and process of change, and interaction amongst these broader categories of change. The starting point for this analysis of strategic change is the notion that formulating the content of any new strategy inevitably entails managing its context and process. Outer context refers to the social, political, economic, business and competitive environment in which the firm operates. Inner context refers to the structure, corporate culture and political context within the firm through which ideas for change have to proceed. Thus the firm may be seeking to change technology, manpower, products, geographical positioning, or indeed corporate culture. The process of change refers to the actions, reactions and interactions from the various interested parties as they seek to move the firm from its present to its future state.

According to Pettigrew the frame of reference used to guide this research on strategic change is a continuation and development of the author's (consultant's) previous work on organizations as political and cultural systems. While Andrews, King and Cleland believe that here is no pretence to see strategic change as a rational analytical process of analysing environments, resources , and gaps, revealing and assessing strategic alternatives, and choosing and implementing carefully analysed and well thought through outcomes. Rather in the manner of Bower and Mintzberg the transformation of the firm is seen as an iterative, multilevel process, with outcomes emerging not merely as a product of rational or boundedly rational debates, but also shaped by the interest and commitment of individuals and groups, the forces of bureaucratic momentum, gross changes in the environment, and the manipulation of the structural context around decisions.

Pye and Pettigrew revealed important aspects of inner and outer context in another article titled, "Studying Board Context, Process and Dynamics: Some Challenges for the Future". For them important aspects of the outer context include: the extent of regulation in the industry in which an organization is located; its ownership structure and investor relationships with the board; the presence of other influential stakeholders e.g. lobby groups outside the organization; and the potential for mergers and acquisitions activity.

While the nature of the industry and business, besides other important elements of the inner context include the: commercial requirement of the organization to develop new core competencies or strategic direction; level of perceived trust in the board, as viewed by insiders and outsiders; life cycle of the company and of the board and its culture/ stage of board development.

The inner context can further be classified into two variables: tangibles and intangibles. The tangibles are structure and resources of organization while organization culture and organization politics. Intangibles govern tangibles. In the words of technology it is the software (organization culture and politics) which governs hardware (structure & resources)

2. Content on Y - axis (What of change)

The content of strategic change is dependent upon managing its context and process. The process skills at the most general level involve the legitimation of the content of strategy in the evolving inner and outer context of the firm. The content of change refers to the particular areas of transformation under examination. Thus the firm may be seeking to change technology, manpower, products, geographical positioning or indeed corporate culture. The process of change refers to the actions, reactions, and interactions from the various interested parties as they seek to move from its present state to future state. This may include change in the following aspects of organization:

- Assessment and choice of products and market
- Objectives and assumptions
- Fixation of targets and evaluation criteria

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3. Process on Z-axis (How of change)

Two points are essential to understand the process aspect of change. The first is that structures, cultures and strategies are not just being treated as neutral, functional constructs connectable to some system need such efficiency and adaptability; those constructs are viewed as as capable of serving to protect the interests of dominant group. Second the biases existing in structures and cultures can protect dominant groups by reducing the chances of challenge, and features of inner and outer context can be mobilized by dominant or aspiring groups to legitimate the existing order, or indeed to help create a new order. These points are as pertinent to understanding processes of strategic change as they are to achieving practical outcomes in strategic change.

The political and cultural view of processes gives a central place to the processes and mechanisms through which strategic changes are legitimated or delegitimated. The content of strategic change is thus ultimately a product of legitimation process shaped by political/cultural considerations, though often expressed in rational/ analytical terms. This recognition that transformation in the firm may involve a challenge for the dominant ideology, cultures, systems of meaning and power relationships in the organization makes it clear why and how the processes of sensing, justifying, creating, and stabilizing major change can be so tortuous and long.

We can also talk of various formal and informal on-going organizational processes like communication, decision making, objective setting and controlling etc. The process in organization in turn depends upon the followings:

- Change managers
- Models of change
- Formulation/ implementation process
- Pattern through time

The three are interdependent with each other – for instance context and process define the content of change. The structures, cultures and strategies are not treated as neutral and functional constructs high on efficiency and adaptability. In overall analysis the strategic change should not be considered as a rational analytical process of analysing environments and resource allocations etc.

References

Pettigrew Andrew M., Context and Transformation of the Firm, Journal of Management Studies Vol.24 No.6 November (1987)

Pye, Annie and Andrew Pettigrew, Studying Board Context, Process and Dynamics: Some Challenges for the Future, British Journal of Management, Vol. 16, S27–S38, 2005

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LESSON # 30

STRATEGIC CHANGE (Continued)

This lesson is primarily based on the article written by Appelbaum, Steven H. Normand, St-Pierre and William, Glavas, Title of the article is, "Strategic organizational Change: The Role of Leadership, Learning, Motivation and Productivity," and it is published in the journal of Management Decision. In it the model is given identified as Strategic Organizational Change (SOC). Here, in this lesson some conceptual aspects of SOC are presented. But before we discuss this concept let us first know the contextual aspects of management theories and models

The Context of Management Theories

Most of the theorist followed in post World War II era, the organizational efficiency model of Fredrick Taylor with closed system approach, narrowly focussing control-oriented organizations with the following traits:

- Complex organizational structure
- Simple, monotonous, routine tasks, while
- Ignoring environmental dynamics

In other words mechanistic approach was followed which dehumanised the work and organization. But today's environment is different as worker/employee and consumer is flexible in its behavioural (or choice). Imperative for change management student is to observe that most of the time research on the given subject is oriented towards humanizing work, management techniques etc.

Attributes of SOC Model

The Strategic Organizational Change (SOC) will be referred to as a flexible strategic planning process as opposed to a static form of strategic planning. Mintzberg talked in one sense about the same as of intended – realised strategy debate. The intended strategy leads to or has two components; realised and unrealised parts or strategies. The unrealised component is something which is unplanned and not envisaged by planners is also known as emergent strategy. The emergent strategy gives us an idea that a policy or strategy and strategy making phenomenon is not a one time phenomenon rather is a continuously evolved process keeping in view the environmental change and on ground dynamics. Therefore the strategy should be kept flexible enough to incorporate the emergent aspects.

Intended Strategy	----------	Realised Strategy
	----------	Emergent (unintended) Strategy

Because organizational change has become an integral part of the planning and formulation of organizational strategies, while in the classical strategic planning model planning came before formulation (in isolation) does not apply anymore. It can therefore be suggested that strategic organizational change encompass ongoing initiatives that are directed from the top to the bottom of the organization and has a profound effect on the depth of the change effort.

The above perspectives may also imply that SOC in today's environment would involve organizational transformations from mass production to lean production, the adoption of advance manufacturing technologies and the implementation of total quality management systems (since demand or consumer behaviour changes frequently).

Another feature of SOC is that it can be reactive or proactive as well. Similarly SOC can be directed, intended or continuous, discontinuous, consequential and unconsciously creeping in organization **Sources of change**

Strategic organizational change can emanate from two different sources: change can either originate

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from the external environment such as changes in competitors' actions, government regulations, economic conditions and technological advances.

Example of this change can be as government's policy to de-regulate or privatize industry. In other words the trade liberalization policy of government and other variety of policies such as import substitution and zero tariff regimes (opposite to each other) impacts business organization decisively for change.

Similarly suppliers also have an impact on organizations. According to one scholar, organizations … take inputs from the environment (e.g. suppliers), transform some of these inputs, and send them back into the environment as outputs (e.g. products) (Johns, 1983).

Similarly change can also originate from within an organization. These changes could be new corporate vision and mission, the purchase of new technology, mergers and acquisitions and the decline in the morale of the company.

Consequently, among the most common and influential forces of organizational change are the emergence of new competitors, innovations in technology, new company leadership, and evolving attitudes towards work

Implications for Management

- Rise of uncertainty as was during Taylor's (1911) times, for which he reclined to scientific management, that was to discover one best way to do things and efficiency based routines. But in present times rise of uncertainty in environment is dealt with the suggestion of doing best in different and multiple ways. This is management is perhaps best explained by contingency school of thought. The crux of this approach is that performance and productivity in organization is contingent upon its size, location, nature of industry etc.

- Another equally important approach which is now widely suggested is of equi-finality which believes that success can be achieved in following through multiple paths (instead of single path). Therefore cultural way of doing and decentralized structure is preferred for getting best (higher productivity) instead of recourse to generalised and universal ways of doing things.

- So for managers the imperative is to work in teams and learn multi-disciplinary skills in order to become not only a functional specialist but also a generalist (cross-functionalist) as well. Hence general management skills are required more in organisation from this perspective.

- Organization should believe in contingency planning and to have an adaptive capacity to meet environmental challenges.

- Dehumanized work place or mechanistic organization should be replaced with organic, open and interactive environment. Participative and democratization of work practices is suggested going by this approach.

Appelbaum suggested some key management change variables which should include goals and strategies, technologies, job design, organizational structure and people. Other focussed on the intervention strategies that managers (organization) must know and apply. So here we will discuss the followings:

1. Organizational vision: goals and strategies

The firms' internal capabilities to be evaluated, vision to be communicated with employees (e.g. about quality and quantity of objectives- setting process). Unrealised goals and poor or lack of communication, commitment from the top/seniors may impede the change management process. For

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example this is stated to be the requirement of ISO certification that each and every member of organization undergoing certification should know what their mission, vision and values are. This is why one can observe that employees wear badges with inscribed quality statement of the company, and every prominent place at factory and in offices also contain vision and mission statements for the purpose of enhanced communicability.

References:

Appelbaum, Steven H. Normand, St-Pierre and William, Glavas, "Strategic organizational Change: The Role of Leadership, Learning, Motivation and Productivity," and published in the journal Management Decision Vol. 36 No 5, (1998), pp: 289-301

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LESSON # 31

STRATEGIC CHANGE (Continued)

This lesson will be in continuity with the previous theme that is to discuss the Strategic Organizational Change (SOC) Model. Before going forward I want to recap the last lecture in which we have discussed:

1. Context of Management Theories
2. Sources of Change
3. Key change management variables in the context of organization or SOC (Strategic Organizational Change Management paradigm)

Previously we have opened-up our discussion on SOC by highlighting some key variables that configure the change. First variable discussed was restructuring of vision, mission, goals and in fact whole strategy of the organization. Whenever as a result of change the restructuring of the organization occurs that produces a *strategic reorientation* or resetting of *direction* for the organization

Further variables of the SOC models are followings:

1. **Organizational design and technology**

An important note is whenever there is change in organizational strategy that instantly changes the organization design and follows a new technological logic. So the question is what type of changes is required in organization design as a result of change in organizational strategy. The important point is that the change processes progress better only when the organizational structure is 'organic' rather then 'mechanistic'.

Organizational design consists of the decisions about …

- Formal structures
- Processes
- Systems
- Roles and
- Relationships

For instance we have two scenarios for change in strategy and organization design and technology:

1. Change in strategy (goals and objectives of growth or of technology acquisition) will lead to change in structure – functional, divisional or matrix type of structures, hierarchical levels, degree of centralization and delegation, formal planning and control systems, job specialization, education and training

2. Flexibility of structure is an important variable comprises - flow of information (old paradigm- that top managers are most informed), rewards (performance linkage) and recruitment (internal or external. The point here is here what Prof. Stevens suggested for incorporating any change in organizational strategy is that the organization must have a flexible or organic unit in terms of:

    A) Flow of information
    B) Performance-Reward Linkage
    C) Recruitment

Therefore the point whole focus here is that "Change in strategy goals will lead to change in Organizational Design." Now if we classify various organizational designs then broadly we have two sets of organizational design:

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(a) Tangible Designs
- Functional Design
- Divisional Design
- Matrix Design

(b) Intangible Designs
- Hierarchical Levels
- Degree of Centralization
- Control systems and Formal Planning
- Job Specialization

Flow of Information:

For instance, if we go for growth strategy then the nature of information flow could not be control oriented or bureaucratic which is the only top-to-bottom arrangement in communication between hierarchical levels. The top-to-bottom information flow arrangement is historically oldest or traditional arrangement and practiced until 1960s, 70s and in early 80s in consonance with the OD model. It is a highly conservative, single channel and mechanistic approach. On the other hand, modern researches on information flows and on organizational modelling revealed that information intrude or invade in an organization from multiple channels and its sources just can not be restricted to limited number of top executive. Therefore the modern structures belief rather more on information sharing and consultancy and valued as the critical success factor or competitive edge over the others. The Knowledge Management Paradigm is the example of highly successful, real time and more informed models which believe on lower level and more operational segment of information of an organization particularly in job creation and implementations processes.

Performance-Reward Linkage

Similarly, if we want to implement a revised strategy then it is evidently necessary to account the micro-level structure of an organization by creating, for instance, the performance-reward linkage and other motivational tools. The reason for this linkage is the direct relationship of organizational productivity with the motivation or incentives.

Recruitment

Recruitment is the next phenomena which can cause a change in organizational strategy. In recruitment two sorts of policies normally practiced in organizations:

- whether to hire from within
- or hire from without (from market or industry)

Hire from within is a policy best fit when the nature of the organization is quite conservative or cultural sensitivities are involved in organizational functioning. These things make an organizational structure stagnant in terms of learning, mechanistic and more bureaucratic. On the other hand hiring from market policy opens horizon of creativity, new values, and styles and, of course, new conventions. Therefore we see that structure-strategy compatibility depends on choices which possess both the advantages and the disadvantages.

Extent of readiness

Within the context of design we have to see people's behaviour towards technology, because in today's world technology plays a decisive role in the design of job. Therefore it is important to see how people use technology and willing to learn newer production technologies is crucial in the job design – because readiness for change depends on this(or readiness of change). Extents of technology promotion itself depend on how people are socially linked to each other and to the technical system of an organization. Of particular interest is how the knowledge of work procedures (software) are synchronized with the

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mode of production (e.g. small batch process), the physical layout of the facilities (e.g. line activities versus station layout) and means of transformation (e.g. specialized versus multipurpose)

3. Management Practices and Organization Culture

How day to day practices are conducive for making organization's mission and vision effective for organization change and productivity. Therefore routines, procedures, rules, principles and SOPs, and how people do work provide a connect to organizations long term efficacy and health. There will be system disconnect if practices are not related with mission of organization. Or in other words people are unable to give meanings to rules and regulations of organizations and larger goals of the organizations. If this is the case then people turn out to be least motivated to do their jobs. And hence there will be no perceived linkage between performance and reward linkage.

In practice the imperative is to strike an appropriate relationship amongst the three variable of job design; authority, responsibility and accountability. The failure to do so can lead to either over-organization or under-organization. Authority but not accountability is built in job-design most of the time which is problematic for good management. Some other personal sorts of reason that can cause an organizational disconnect. One is people are least motivated to their jobs. Second, there might not be a practical linkage between organization performance and reward.

Unwritten rules, conventions and other psychologically implied things or organization culture in any organization can cause distrust and anarchy because of the lack of trust-deficit, indiscipline, and intolerance for ambiguity, which also leads to culture-strategy compatibility. On the other hand innovative, trustworthiness and socially acceptable environment can produce efficient results in improving organizational efficiency

SOC Process

Two types of models are generally there within the context of strategic change:

- OD models
- Behavioural modifications

1. OD model - OD is a distinct area within the field of organizational science that focuses on the planned and controlled change of organizations in desired directions. In essence, OD attempts to change an organization as a totality by changing the organization's structure, technology, people, and/or tasks (changing people or changing tasks, structure and technology to be focused) Organizational Development is a distinct subject with in the field of organizational science that focuses on the planned and controlled change of organizations in desired directions. It is based on close system and only focuses on the internal aspects and mostly ignores the external aspect of environmental studies. One such popular model is Kurt Lewin's model and force field analysis

2. The behavior modification (BM) intervention is the normative essence of the wider concepts of motivation, reward, learning and organizational culture (Wilson, 1992). It is an attempt to understand and reduce complex change processes in the organizations to explicit rules, procedures and strategic actions to deal with all possible contingencies.

This second school of thought has its roots in the practices of behavior modification and is an attempt to understand and reduce complex change processes in the organization to explicit rules, procedures, and strategic actions to deal with all possible contingencies

Leadership and Strategic Organizational Change

It is the leadership which mediates between the two change management models cited above. Leadership is the only element which can bridge the gap between desired change and the behavior aspect of the organization According to Hitt, "senior management must articulate a clear vision of the

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future "ideal" organization in order to successfully implement organizational change.

Leadership is also considered responsible for the creation of an organizational identity (who we are? & for what we exist) which leads to build up of organizational commitment then culminates in better organization communication. By and large change management or organizational transformation is considered the responsibility of senior leadership.

References:

Appelbaum, Steven H. Normand, St-Pierre and William, Glavas, "Strategic organizational Change: The Role of Leadership, Learning, Motivation and Productivity," and published in the journal Management Decision Vol. 36 No 5, (1998), pp: 289-301

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LESSON # 32

DETERMINANTS OF A SUCCESSFUL CHANGE MANAGEMENT

This lesson is about the change management implementation. If an organization wants to pursue its change management plan than what are the key determinants for its successful implementation

Here we deal with some determinants in a generic way and will trace-out different factors or variables which an organization manages them promptly in order to have an effective implementation of the change plan. In the management literature, we have number of models and determinants sought out by various authors and scholars for dealing on effective change implementation. According to one author there are three crucial determinants for any organization to make its change plan or strategy effective, which are as under:

1. **Environmental**
2. **Structural**
3. **Management Orientation**

The general tendency in this order is that environmental alignment determinant is aligned at the top, the structural alignment at the middle point, and the management orientation at the lower end. The point here is that the management orientation should be appropriately aligned to the organization structural which in turn should be made compatible or aligned with organizational strategy or 'strategic change plan' and this strategic change must always relate or oriented to the environment.

Environmental

While going through change, the organization must have to focus on the needs and wants of the customer. If customer needs and wants change then this should be imperative for an organization to change its products and hence strategies likewise. For instance, change in environment will be coupled with the followings:

- change in product line
- change in services
- or development of a new product
- or target the customer at some other market place
- or in terms of better quality.

So here the case in a point is that the organization must move around the customer while its involvement in change process. This is because the customer is considered 'sovereign' or more pronouncedly a 'King'. Customer is the most prominent actor in the external environment of a business organization

Structural

Here the typical consideration for an organization is that its structure of must be compatible with the strategy of the organization. Otherwise, it is a most common and typical flaw in strategy-structure compatibility.

But it is important to note that there is no single or universal prescription, here at this point, about the nature of the structure and its compatibility with the strategy. For instance we have different scenarios or imperatives in dealing structures such as functional, divisional, or matrix which correspond to the strategy of an organization. In retaining ourselves into this example, we further exemplify that we have a divisional structure in an organization then what should be the level of the intensity of 'control' as a determinant. The author suggests here is that the control should be loose or tight, given the situation:

- lose in the sense of autonomy

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- tight in the sense of setting-up of high performance goals

The other important point here is that the control depends on strategic requirement and change in strategy. For instance, in an organization where previously the structure is control oriented. But for new strategic requirements of change is to go for decentralization in control. Here we have a very conclusive statement which has been extracted out from latest researches about successful organizations:

"Highly successful organizations operate with simple and appropriate structure with adequate staff instead of empire building."

High Performance Organizations (HPOs) means those organizations which are performing constantly in every environmental scenario and perpetuate it as the best organizations. For instance, Fortune 500 companies the world's best 500 companies. Most advanced researches were taken-out on these companies about their behavior in respect of change in environment and their reactionary attributions. For example, the studies of Tom Peter and Waterman (particularly the Waterman's 'In search of excellence') in which they sorted out successful attributes of the highly successful organizations. Therefore HPOs always tend to adapt their structure to organization's mission and vision, or in totality what is known as strategy.

Management Orientation

a) At management orientation level, we also have some variables which are crucial in success in change implementation. For the orientation of such variables let us first focus on the following statement:

Successful organizations are those where entrepreneurship and risk-taking is encouraged at divisional level and innovation being rewarded at multiple tiers of hierarchy. Often in such cases where the organization promotes the concepts such as control (tight or stiff), loyalty, and obedience which may be rewarded in short term bases that affect the behavioral element of human force. But in the long run, it is highly unlikely that these factors give lasting and consistent outcomes. However, researches show that organizations which believe in values such as innovation, risk-taking, and entrepreneurship are more successful and progressive.

b) The second feature of successful organizations believes on realistic rather then on idealistic approach in managing organizations. The following statement portrays similar rationale:

"Goal attainment is preferred over paralysis through analysis of alternatives"

In other words, instead of satisficing, action that ensures goal attainment is encouraged. For instance few years back, one survey showed that the companies in US spending their energies and resources more on strategy making, scenario buildings and analyses, policies and strategies manipulations rather then on implementation strategies. So practically goes too idealistic rather then on realistic approach. The point here is that organization should focus on actions for goal attainment as against strategy formulation.

c) Sticking to one's knitting – to original area of organization instead of being led by different attractive alternatives. Sticking to one's knitting means living around the core of the business which definitely is the area of being or mission statement. This balance is lost when organizations attain some successes and see various attractive alternatives. At this point there could likely be a chance of deviation form its core. For instance, decision of organization to opt for the strategy of diversification, either for related or unrelated one. The author here gives preference for the related diversification over the un-related diversification. But this is not a universal phenomenon. In developed countries, we have seen often the best examples of firms following unrelated diversification. While in developing world, the scenario of un-related diversification is more visible in the forms of conglomerates (diversified industrial groups) rather then the related diversification.

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d) Stress upon single value – this is minimizing cost and satisfying the unique need of the customer. Or satisfying the unique needs of the customer and single dominant value is highlighted (single/dominant value is highlighted in the promotion and training of employees

The case here is that the focus of the organization is at single value rather then on multiple values. Suppose an organization production system is based on quality production or in other words on differentiation in product range then it should retain itself into Differentiation Specialty rather go for Cost leadership type of production strategy.

e) Finally, successful organization seek consensus of employees – agreement over performance of goals. The question here is that how an organization can be made more participative at all levels of hierarchy or equally involved in new change strategy. Here the outer structure of the organization, again, very relevant. Here attribution of the OD model are very compatible with this kind of change strategy and create an environment of participation, empowerment, and delegation.

Determinants of a Failure in Organizational Change

The author classifies the determinants of failure into following three broad categories:

1. **Environmental**
2. **Structural**
3. **Management Orientation**

In other words, the same factors which can be cause for success or failure in organizations.

Environmental

In environmental determinants, for instance, the change in technology is more crucial. When technological level is changed or advanced that can also cause a change in consumer patterns. Now it is imperative for the organization to change its technological configuration to match the customers', in order to retain the customer base.

It is not technology as the only isolated factor which can cause hindrance in the way of organization success but some other related and relevant variables also has the equal ability to cause damage. For examples:

- gap between the new and existing technological skills levels
- organization culture is not be learning oriented
- financial resources availability to go for up gradation in technology

Change in government policies and procedures may cause failure in organizations such as subsidy and cut backs etc. Therefore the case in the point is organizations should not be dependent on government but to go for internal development rather then to get addict on governmental concessions.

Dependency on single supplier should be avoided. In other words a diversified portfolio of vendors is needed for coping with such danger. Similarly reliance on single customer also becomes dangerous for organizations.

Structural

Inadequate control mechanism and inability to sense change also results in poor product quality and loss of customer.

Management Orientation

Indecisive leadership (half hearted) leads to a tendency to overanalyze data or to take a 'wait-and-see' attitude may cause a firm to loose ground to competitors and may exacerbate internal problems. A basic concern here is the quality of leadership that how leadership can facilitate the design of the structure and its role as an intermediary of a new or changed strategy of an organization.

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Nadler's requirements for organization change

For Nadler requirements for organizational change are three:

1. Motivating change
2. Managing the transition
3. Shaping the political dynamics of change

Nadler is a very well known figure in management research and consultancy. He recommended the following prerequisites for installing a change in an organization.

1. Motivating Change (attitude-to-behavioural change approach)

It focuses on two method of manipulating attitude and behavioural change:

i) Persuasion / Cognitive / Emotional method (based on psychotherapy)
ii) Rational / Intellectual method (based on cost-and-benefit analysis method)

Hence managers get motivated on the above identified ways ad means.

2. Managing the Transition

Manager ought to develop switching skills in order to develop and acquire skills and values of newer systems, processes, technologies, and even to new strategies. Whenever an organization is in transition, it means that managers and organizations have to bear the burden of both systems; newer and the older one. In this situation a balance is required for achieving the harmony and smooth progression from turning one system to another one is extremely difficult. This has been earlier explained to you in details.

3. Shaping the political Dynamics of Change

When change occurs in an organization an environment of politics emerge automatically as change creates winners and losers. The results would be the winners and losers will engage in organization conflict. So at this situation a dominant condition of interest is required for resolution of the conflict.

Though it appears simplistic but the author analysis show that environmental factors are more likely to pose potential threats to an organization's well-being, while structural factors are an organization's major means of achieving success or, at least, coping with threats.

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LESSON # 33

HIGGINS 08 S MODEL – AN ADAPTATION FROM WATERMAN'S SEVEN S MODEL

The purpose of this lesson is to discuss one of the most familiar models which is commonly known as McKinsey's 7-S model and was first introduced to us in 1982 by Thomas J. Peters and Robert H. Waterman, Jr. The most notable thing about the 7-S model is that it supports, and is similar to, the framework of the managerial functions (planning, organizing, staffing, leading, and controlling).

In the 8-S framework, the author emphasizes on cross-functional way of thinking about the execution of a revised version of strategy across an organization. Successful organizations spend a great deal of their time on strategy execution and realize that execution of a strategy is just as important, if not more important, than formulating a strategy. So the general tendency here is that how an organization can achieve successful strategy execution that revolves around aligning key organizational factors with strategy

1. Strategy

We are well familiar with the hierarchy of strategic intent, which is formulation of corporate, business, functional operational level strategies after evaluating scenarios thru SWOT analyses. In strategy, we go for an analysis about changes in Strategic Intent which can be quantitative or qualitative. And there are three types of strategic levels at which a strategy could be accomplice: corporate, business, and functional levels.

The corporate strategy defines what business or businesses the firm is in or should be in, and how the firm will conduct that business (or those businesses) in a fundamental way. For instance, an organization has some number of businesses. In some it estimates the opportunity of growth potential and in some others it estimates losses. The organization goes for divestment in those who are in loss and go for fresh investment where the growth potential has been estimated.

The business strategy describes how a firm will compete in a particular business. A firm's business strategy is its major plan of action aimed at gaining a sustainable advantage over competitors. Relative differentiation and relative low cost are the two most frequently suggested generic business strategies. Some other business level strategies are: development of new product, innovation in research and development, or capturing of some other markets.

Functional strategies support the business strategy. Functional strategies in the areas of marketing, finance, operations, human resources management, R & D, information, and logistics should be aligned with the business strategy.

Process strategies normally cut across functions and are aimed at integrating organizational processes across the organization in order to make them more effective and more efficient. Strategy formulation involves the consideration of strengths (for example, core competencies and capabilities), weaknesses, threats and opportunities.

All strategies must all be aligned for strategic performance to be optimal at both intra and inter levels. The distinct aspect of this model is that it talks about the alignment of various strategies at multiple levels and also with deal with alignment issues with other variables explained below. Often such type of alignment is overlooked in the implementation models.

2. Structure

The structure means job, grouping of jobs, authority and its delegation, field units & Head office, departmentation, operating procedures, control etc. The organization's structure, according to Higgins consists of five parts:

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1. jobs;
2. the authority to do those jobs;
3. the grouping of jobs in a logical fashion, for example, into departments or divisions;
4. the manager's span of control;
5. and the mechanisms of coordination.

The first four of these parts are normally shown in an organization chart. The last is usually described in the firm's operating policies and procedures.

Major issues include the choice of the organizing principle for primary organizational units, for example, product versus function, or product versus geography; and how such authority to delegate to organizational units and managers, traditionally thought of in terms of centralization versus decentralization, or mechanistic versus organic.

For instance, rivalry between marketing and production departments or between marketing and finance departments creates ethnocentricity or conflict in working environment. Nonetheless, structural harmony can be created through promoting policies of internal customer and cross-functionalism

3. Systems and Processes

Organizational systems are designed to get things done from day to day. For example with in organizational system we have sub systems like strategic planning systems, information systems, capital budgeting systems, manufacturing processes, reward systems and processes, quality-control systems and processes, and performance measurement systems. This is the third factor in Higgins model is which we have discussed earlier in Management Orientation. The systems and processes enable an organization to get things done on day to day basis. The point here is that the change in strategy envisage by organizational planners should be compatible to the day-to-day practices as well. For dealing with such actions we have two practices:

i) Internal Customer Philosophy
ii) Cross-Functionalism

At systemic level, we have an internationally practices which is given by ISO-9000. This suggests that the systemic structure should be able to deal with the philosophy of Internal Customer. It means that, in order to promote inter-departmental harmonious relationship one department should treat other as an internal customer.

The other managerial philosophy is of cross-functionalism which places greater emphasis on amongst the interaction and cooperation of specialized functional units, such as departments, according to their role in the organization for organizational stability and cohesion. One such technique to promote cross-functionalism is of job rotation.

4. Style (leadership/management style)

The consistent pattern of behavior exhibited by leaders/managers when relating to subordinates and other employees. Major issues include the way leader's or manager's presents, communicate, and control the people or situation. How effective the decision making process is? In literature, particularly in management context, we have four leadership styles available:

1. Authoritarian Style
2. Consultative Style
3. Consensus oriented Style
4. Democratic Style

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The other thing which important that how a leader relate itself to its subordinate, either he believe on transaction oriented relationships which is short term or professional phenomena or transformational oriented which is long term and a progressive phenomena.

5. Staff

The number and types of employees with what types of individual and group competencies the firm needs to meet its strategic purposes. The staffing means filling positions in the organization structure. The main issue is that how to create an appropriate Management Inventory or Human Asset in an organization and it can be synergized with strategic change or strategic intent.

6. Resources

The extent to which the organization has adequate resources to achieve its strategy—people (staff), technology and money are the three most critical. Resources may include funding for divisions such as R & D, or technology such as software, or systems such as those for knowledge management and organizational learning. The other major concern is the extent to which the organization leverages its resources. However it is important that resource-strategy compatibility is highly desirable.

7. Shared Values (organizational culture)

The values shared by members of the organization that make it different from other organizations. Managing values and cultural artifacts are critical to successfully leading organizational change. This operates at intangible level and has significant impact on the working environment of an organization.

8. Strategic Performance

Strategic performance is a derivative of the other seven 'S's. Strategic performance is possessed by an organization as a whole, or for profit-based parts of the whole. Performance can be measured at any level. Financial performance measurements are critical barometers of strategic performance, but its expanded version of balanced scorecard approach, now a days is considered best. Because most organizations and business units are structured along functional lines—marketing, operations, finance, human resources, R&D, information, logistics—cross functional execution issues are sometimes overlooked when strategy is changed. Important thing to note is that strategic change operates at holistic level integrative of different functional areas. The same is also known as strategic performance.

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IMPLEMENTATION AND STRATEGIC CHANGE: CONSTRAINING FORCES IN THE IMPLEMENTATION OF STRATEGIC CHANGE (CASE STUDY OF XYZ COMPANY)

In this lesson we will continue our discussion about the implementation of strategic change. Again at strategic formulation, one can get extraordinary type of vision and mission prototypes but at implementation level the results are often quite otherwise. The recent surveys also exhibit the similar conclusions about the success pattern of strategy formulation-execution mechanism. Therefore this is an attempt for analyzing the situation realistically by dealing various scenarios in generic terms. According to an author, the following variables hamper the execution of strategic change.

Systems

(a) Misdirected reward and evaluation

In organizations, the actions of change in strategies, particularly at operational level, depend on linkage between performance and reward systems. One thing which happened in most cases is that the organizations do not have suitable criteria for performance evaluation. It means the organizations do not have a suitable portfolio of attributes at different hierarchical levels which could measure the performances. In this scenario, organizations may face inequity and injustice which lead them into anarchy and conflict. However we see various efforts that have been made to link reward with performance and to induce managers to make decisions that are in the long-term interest of the enterprise.

At Ford Company, for example, more emphasis is given to stock grants that reward the achievement of 5-year objectives. These criteria include not only return on equity but also measures such as customer satisfaction, involvement of employees, and product quality. Furthermore, performance is compared with that of competitors. For instance, even though quality may have improved at Ford, if more quality improvements have been made by a competitor, this will be held against Ford's managers if their quality improvements have not been sufficient.

(b) Oppressive control systems

Oppressive control system means a system which is tightly managed and where element of exploitation is very high. The control system, in an organization, has several directions. In broad terms we can divide them into two types; tangible control systems and intangible control systems. Most controls are designed for specific things: policies, wages and salaries, employee selection and training, research and development, product quality, costs, pricing, capital expenditures, cash, and other areas where an organization wishes performance to conform to plans. These controls are tangible or visible in nature where traditional approaches are to be applied such as budget summaries and other financial analyses. Many other types of controls are dependent on intra-organizational relationships, leadership styles; organizational learning and culture based established patterns. These are intangibles or invisible in nature and where modern attitudinal and behavioral approaches are to be applied. For instance, decentralization of authority - especially in product or territorial divisions - on the one hand creates semi-independent units but also empowerment and smooth relationships between various levels in an organizational hierarchy. The point here is that control should be on invisibles as equal as with visibles which certainly is an important objective to gauge the success in change implementation. It must do more than say that a management group has followed "generally accepted standards of management control."

The concept of the modern organization as it exists today in the United States originated with Pierre S. Du Pont and Alfred P. Sloan. It was Sloan who structured General Motors with an emphasis on centralized staff and decentralized operation. Policy-making and operations were distinguished. Control was maintained through a number of control techniques and budgets. This kind of organization worked

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remarkably well and is still the predominant way large enterprises are organized today. However, new technology, new demands in the environment and a new work force call for a new kind of organization based on information.

(c) Inflexible budgeting systems

Budgeting is the formulation of plans for a given future period in numerical terms. As such, budgets are statements of anticipated results, either in financial terms - as in revenue and expense and capital budgets or in non-financial terms such as in budgets of direct labor-hours, materials, physical sales volume, or units of production. It has sometimes been said, for example, that financial budgets represent the "dollarizing" of plans.

Perhaps inflexibility is the greatest danger in budgets. Even if budgeting is not used to replace managing, the reduction of plans to numerical terms gives them a kind of misleading definiteness. It is entirely possible that events will prove that a larger amount should be spent for this kind of labor or that kind of material and a smaller amount for another or that sale will exceed or fall below the amount forecast. Such differences may make a budget obsolete almost as soon as it is formulated; if managers must stay within the straitjacket of their budgets in the face of events like these, the usefulness of budgets is reduced or nullified. This is especially true when budgets are made for long periods in advance.

Budgeting is never more perfect than the planning behind it, and plans - especially long-range plans are subject to the imperfections caused by change and uncertainty. Such uncertainty or sometimes change in strategy can be incorporated if budgets are inflexible and easily be reorganized. However, this phenomenon also depends on the degree of centralization.

(d) Arbitrary cost allocation systems

This variable, basically, relates to decision making pattern. The questions here are that whether cost allocation is based on rational basis or emotional or political or either professional basis. So it is a decision making phenomena either participative of limited to few organizational political elites. This definitely leads the strategic change towards failure.

At rational and sometimes professional level we have cost valuation technique for efficient cost allocation which is called cost-benefit analysis. It seeks the best ratio of benefits and costs; this means, for example, finding the least costly way of reaching an objective or getting the greatest value for given expenditures. The major features of cost effectiveness analysis are that it focuses on the results of a program, helps weigh the potential benefits of each alternative against its potential cost, and involves a comparison of the alternatives in terms of the overall advantages.

(e) Overly Rigid, formal planning system

Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making that is choosing from among alternative future courses of action. Plans thus provide a rational approach to achieving pre-selected objectives. Planning also strongly implies managerial innovation rather than rigidity and bases our decisions on purpose, knowledge, and considered estimates.

Planning bridges the gap from where we are to where we want to go. Without plans, the organizations are at high risk or chance. But without flexible planning system, an organization, if not in slump, is at stagnation. The second thing is that planning and controlling are inseparable or plans thus furnish the standards of control. So, efficient control system depends on flexible planning and decentralized structure.

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Structures

(a) Too many hierarchical levels

Organization levels exist when there is a limit to the number of persons a manager can supervise effectively, even though this limit varies depending on situations. In every organization, it must be decided how many subordinates a superior can manage. When an organization go for a large in size or for empire building, it often no longer be able serves his target customer or stakeholders but in trying to serve itself. More broadly, there are three problems associated with large hierarchical levels:

1. It is an expensive option
2. It complicates the communication process
3. Finally, it complicates the planning and control systems

Then what should be the ideals figures? For instance, the prominent British consultant Lyndall Urwick found that "the ideal number of subordinates for all superior authorities ... to be four," while "at the lowest level of organization, where what is delegated is responsibility for the performance of specific tasks and not for the supervision of others, the number may be eight or twelve."

While, in a survey of 100 large companies made by the American Management Association, the number of executives reporting to the presidents varied from one to twenty-four, and only twenty-six presidents had six or fewer subordinates; the median number was nine. In forty-one smaller companies surveyed, twenty-five of the presidents supervised seven or more subordinates, and the most common number was eight. Comparable results were found in other studies.

In our societal perspective, these figures are different from ideals and also form models of developed societies. For instance at managerial stage, we have 6 hierarchical levels in our public sector organizations as compared to 3 or 4 in average western models. And at non-managerial stage, we have 16 hierarchical levels as contrast with western models that generally have 6-8 levels. So, what the outcome is: mal-governance and least development. Therefore in 90's, we have seen the trend of rightsizing and downsizing with parallel of cost cuttings.

(b) Overly narrow span of control

According to classical school approach, the term span of management deals with specifying numbers of subordinates for an effective span. In other words, there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of underlying factors. So, what should be the ideal? It depends upon some essential factors like:

1. Vision and Missions
2. Strategic Change (Rate of Change)
3. Hierarchical Levels
4. Organizational Planning
5. Training
6. Technology
7. Delegation of Authority and Responsibility
8. Communication Practices and Techniques
9. Organizational Culture, etc.

We have two schools of thoughts about the optimality of span of control. One is the classical school of thought which prescribed that at upper and top levels the span is from three to seven or eight subordinates. However, more recent views come from operational-management theorists who have beloved on open ended approach that are based many underlying variables in a management situation. But in a very real sense, none of these studies is truly indicative of the actual span of management. For one thing, they measure the span only at or near the top of an enterprise. Secondly, it is probable that

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spans below the top executive are much narrower. According to a study of more than 100 companies of all sizes revealed a much narrower span in the middle levels of management than at the top.

While, in broader term we can divide the management span into two types: one is wide and the other is narrow. A wide span of management is associated with few organizational levels; a narrow span, with many levels. The advantages and disadvantage of the both categories are given in the following table:

ORGANIZATION WITH NARROW SPAN

ADVANTAGES	DISADVANTAGES
• Close supervision	• Many levels of management
• Close control	• High costs due to many levels
• Fast communication between subordinates and superiors	• Superiors tend to get too involved in subordinates work
	• Excessive distance between lowest level and top level

ORGANIZATION WITH WIDE SPAN

ADVANTAGES	DISADVANTAGES
• Superiors are forced to delegate	• Danger of superior's loss of control
• Clear policies must be made	• Requires exceptional quality of managers
• Subordinates must be carefully selected	• Tendency of overloaded superiors to become decision bottlenecks

(c) Responsibility without authority

Although research still does not address all key the key managerial activities such as structuring the organization or clarifying of authority-responsibility relationships because of person-to-person variability and that require a comprehensive look at what successful and effective managers really do. But in general, the authority responsibility mismatch has considered one of biggest hindrance in managerial success. It has normally considered more as structural phenomena rather than individualistic. For instance, in most of the cases managers are assumed to be responsible instead of appropriately authoritative. One reason for that is the geographical dispersion between authority structure and responsibility structure. So, the point is that there must be equilibrium between manager's functional authority and perceived responsibility. Some recent research studies have focused this phenomenon under the domain of total managerial job.

(d) Top down management system

It is the most traditional and oldest style of management where management flows from people at higher levels to those at lower levels in organizational hierarchy. This kind of management exists especially in organizations with an authoritarian atmosphere. Therefore in today's context, it has been much disliked form of organizational structure. Most of the time, the strategy, goals, and objectives

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manipulation is retained at the higher level of organization. Even middle level managers are working as operators. In fact, it is commonly argued that effective management has to start with subordinate otherwise problem will develop.

In top down communication, information is often lost or distorted as it came down the chain of command. Top management issuance of policies and procedures does not ensure prompt communication. Consequently, an effective feedback system is required for finding out whether information was perceived as intended by the top management. The possible consequences are:

1. Least motivated and least involved employees
2. Mechanistic organizational environment
3. Stagnant efficiency
4. Poor coordination between operation of functional level and higher level etc.

(e) Restricted communication channels

It is generally considered in traditional communication structures that top management is the most informed segment in an organization. Is this assumption, particularly in modern context, is a myth or reality? Modern research now argued that middle level and operational level managers are the more informed people in an organization. Because they are getting information simultaneously from multiple channels such as backward channels, forward channels, and also through organizational hierarchical channels. Therefore, the point here is that, an open ended organization is more intelligent and interactive with the environment.

(f) Lack of accountability

Although employees are empowered to make decisions they believe will benefit the organization, they must also be held accountable and responsible for results. Accountability phenomena works at two levels: at extraneous level and at internal level.

At extraneous level, the organization held accountable to individual, to a group or groups of people, to government, and ultimately to society. This is reactionary and legal way of accountability. At intra-organizational level, there must be some restraints or checks that can held accountable to individual level and department's level, at business level and at corporate level. The objective here is that, morality should be generated form within the organization.

J. O. McKinsey came to the conclusion that a business enterprise should periodically make a "management audit," an appraisal of the enterprise in all its aspects in the light of its present and probable future environment. Although McKinsey called this appraisal a management audit, it is actually an audit of the entire enterprise.

(g) Bloated (over-fed) staff functions

In management literature, still there are number of obstacles which require some deep extrication like the problem of semantics. The terms such as "organization," "line and staff," "authority," "responsibility," and "policies," are exemplified by variety of meanings. And much confusion also has among managers as to what these terms are. So, what the roles of line and staff are? This is one of several areas of management that causes more difficulties, more friction, and more loss of time and effectiveness.
1One widely held view of line and staff is that line functions are those that have direct impact on the accomplishment of the objectives of the enterprise. On the other hand, staff functions are those that help the line persons work most effectively in accomplishing the objectives. The people who hold to this view almost invariably classify production and sales (and sometimes finance) as line functions and purchasing, accounting, personnel, plant maintenance, and quality control as staff functions. According to an another classification, purchase, production, sales departments are under line authority domain

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and accounting, finance, personnel, plant maintenance, and quality control are under staff authority domain.

The point here is that, the organization should go first to differentiate between line authorities and staff authorities and form an appropriate model so that the problems of overlapping and over feeding could be avoided.

Strategic Direction

(a) Absence of innovation goals

Usually, innovation means the creation and usage of the ideas. In an organization, this can mean a new product, a new service, or a new way of doing things as Peter Drucker regards the two basic business functions as innovation (for example, the creation of new goods or services) and marketing. A business can scarcely survive without at least one of these functions and preferably both. On contrary, innovations may be very risky and are, at times, not successful. Organizations fostering innovation are attributed with the following ways:

1. Appreciation and rewarding for new ideas
2. Development of tolerance for failure
3. Operate with few and simple rules
4. Hampers to innovation, such as excessive planning or intolerance of mistakes is eliminated
5. Information sharing is greatly encouraged
6. Processes, Procedures, and guidelines foster innovation.
7. Establish close relationships with customers
8. Technology sharing with others in the company
9. Keeping the project alive by allocating time or financial grants
10. Keeping the divisions small

As James Brian Quinn found in his research that successful large companies are listening carefully to the needs of their customers. They establish teams that search for creative alternatives to serve their customers but within a limiting framework and with clear goals in mind. And Peter Drucker suggests that innovation applies not only to high-tech companies but equally to low-tech, established businesses. According to him, worthwhile innovation is not a matter of sheer luck; it requires systematic and rational work, well organized and managed for results. Following some success stories attribute innovation as a matter of survival.

General Electric's ambitious plans for the "factory of the future" may have been a costly mistake. These plans may have been based on unrealistic forecasts and GE's unrealistic expectations to automate industry. The concept of the new factory expressed the wish of the chairperson, who wanted to promote entrepreneurship in an organization that was known to be highly structured. At Johnson & Johnson, autonomous operating units are encouraged to innovate. The organization culture allows failure to occur. Hewlett-Packard encourages researchers to spend 10 percent of their time on their pet projects, and Merck allocates time and resources to its researchers for working on high-risk products with a potential for high payouts. Dow Corning and General Electric engage in joint projects with customers to develop new products.

(b) No formal strategy for entrepreneurship

Gifford Pinochet makes a distinction between the intrapreneur and the entrepreneur. Specifically, an intrapreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture by operating within the organizational environment. In contrast, the entrepreneur is a person who does similar things, but outside the organizational setting. Entrepreneurs have the ability to see an opportunity; to obtain the necessary capital, labor, and other inputs; and to put together an operation successfully. They are willing to take the personal risk of success and failure.

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Organizations that have entrepreneurial like orgonomics or attributes – develop ability to see an opportunity, willingness to take risk and commitment to systematic innovation are progressive, dynamic and long lasting structures. For instance, When Steve Wozniak could not get his dream of building a small computer fulfilled at Hewlett-Packard, he left that prestigious firm to form - together with another entrepreneur, Steve Jobs - Apple Computer.

Entrepreneurship, in general, is thought to apply to managing small businesses, but some authors expand the concept so that it applies also to large organizations and to managers carrying out entrepreneurial roles through which they initiate changes to take advantage of opportunities. For instance, Progressive companies, such as IBM or 3M, consciously try to develop an organizational environment that promotes entrepreneurship within the company.

(c) No vision from the top

If the top executive of an organization is visionless or retained them on existing level of achievements then organization suffers immobility, and lacks strategic direction for long term survival as a very famous English quotation delegate that 'fish stings from the head'. An ideal organization's leaders or top management has known about how to form a plan that constitutes a standard and ordinate it to vision of the organization. He also has the ability to compare it with the present structure and execute changes should be made when possible.

(d) Lack of commitment from senior executives

Similarly, senior executives must be committed, meaningful and incorporate with the objectives, mission, and purpose of the organization. They must also have clear understanding about their area or intentional structure of roles for better serving in today's highly infiltrated environment. But we have seen different scenarios in organizations. For instance, one survey of CEOs in Fortune 500 enterprises indicated that executives spend little time with lower-level employees. Professor Henry Mintzberg, who previously studied the activities of executives, interpreted the findings as showing that "management by walking around" is not very prevalent in these large companies. Managers spend a lot of time with those who are at similar organizational levels. Yet by wandering around, managers could obtain a great deal of information not available through formal communication channels.

(e) No entrepreneurial role-model at the top

In a learning environment, employees at the lower level learn from the middle level and from the top level management. If there are no such role models in an organization then it suffers asymmetry, communication gaps, and perhaps leadership vacuum.

Policies and Procedures

(a) Long complex approval cycles

It is a typical area of Office Management Study or OM study in which we analyze day-to-day procedures and conventions in office environment. For instance, in public sector organizations we have seen that the approval of a document require dozens of signature and other complexities. So if an organization has this kind of old and classical system that creates problem of efficiency, effectiveness and disorder in organizational outcomes.

(b) Extension documentation requirements (even problem with iso-9000)

Over-documentation is other hindering phenomena that affect the efficiency and effectiveness in an organization. This is even not a local phenomenon in developing countries' business and organizational environments but at international level too. For instance, ISO certifications require documentation over

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documentation that creates an abnormality in organizations. This is because we are overly relaying on visibles rather than on invisibles that led an organization to mechanistic and spiritless structure. The point here is that every organization should determine its own formality and informality levels according to their operational size and industry norms.

(c) Over-reliance on established rules of thumb

It means the over-reliance on past patterns experiences, norms, and conventions. This approach creates hindrance to value-addition and creativity and makes an organization a stagnant body.

(d) Un-realistic performance criteria

The unachievable or unrealistic performance criteria also create constraint during implementation of strategic change. This thing creates de-motivation in organizations.

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IMPLEMENTATION AND STRATEGIC CHANGE: CONSTRAINING FORCES IN THE IMPLEMENTATION OF STRATEGIC CHANGE (CASE STUDY OF XYZ COMPANY) (Continued)

In our previous lecture we have discussed some major constraints that can occurs during the implementation phase of a changed strategy. Previously, we have discussed the following factors which are tangible in nature:

Systems and subsystems
Structural
Strategic direction
Policies, plans and procedural alignment

Now the remaining two variables intangible in nature are followings:

People
Culture

People

The matter under discussion is how to manage people? It is the people who at the action level can make change implementation either a successful or failure. So, people's traits, psyches, attitudes, behaviours and their orientation is required to be analyzed particularly at lower levels where masses of people directly involved in change orientation and execution.

(a) Fear of failure – non performance and humiliation

It is a general tendency that whenever a change program, or a plan introduced in an organization and is perceived negative by greater majority of managers in the organization as against the established patterns, norms, and conventions then the resistance level will quite high. One such reason for higher resistance towards change plan has been the perceived threat of non-performance which acts as a source of failure associated with humiliation. Here, innovative organizational structure provides some remedies. For instance, it allows failure to occur. This also means that organization culture is not geared towards learning.

(b) Resistance to change – non comfort zone

Again, the fear of change lead the individuals or groups from a comfort zone to a non comfort zone where learning about new values, new technologies, new patterns or fears about unknowns produce resistance. This resistance to change can cause considerable loss of efficiency in organizations. In fact, if organization goes for successful execution of strategic change then strategists should go for removing this phenomenon. Therefore, there must be the introduction of learning oriented culture or entrepreneurship like attributes in organizational environment.

(c) Parochial bias – ethnocentrisms

Parochialism, provincialism or ethnocentrisms means to interpret the things or developments on self reference basis. Again, there is tendency among individuals or among groups that they percept changes narrowly and un-sophisticatedly. At organizational level where we have different hierarchies, groups, departments, and divisions, the parochialism is dangerous for the health of the organization. Under such situation management consultant and strategists must workout for exploring the dominant interpretation of the change acceptability and ensure that the benefits of that change should be for large masses with minimized costs.
(d) Turf protection – hiding behaviour

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Turf protection means favouritism or protection of individuals or a group or groups who have some vested interest with change process. For instance, the protection for those ones: (1) who are non-performers or (2) may be for those who are loyalist toward change initiators. The turf protection, therefore, leads an organization towards failure in change implementation. In the context of developing countries, for instance, where we have seen a more personalized style of management, the turf protection culture is more prominent and highly lucrative.

(e) Short-term orientation

Short term orientation means short sightedness. Earlier in strategic direction variable we have discussed that, the leaders who have short term view in respect of time often go for immediate calculations instead long term of deferred gratifications. This is a myopic view of organizing and such behaviour is actually associated with individual psyche. The same behaviour also matter for organizational perspective. The organizations who go for immediate calculations suffer losses in the long run. Contrarily, the organizations who go for deferred attitude may be at deficit in short term but in the long run they are more lucrative.

In cross cultural terms, for instance, traditional Asiatic peoples such as Japanese, Chinese or Malays have had long term behaviour then other Asiatic ones. In reality, we have also seen them more developed and rich.

(f) Complacency – satisficing behaviour

It is generally observed that the people who involved in change process are more satisficing and complacent than from those who actually are not involved. Therefore, complacent people are those who retained their energies at certain level which may be appropriately below from maximizing level.

In general, the behaviour of employees are satisficing rather than toward maximizing. One thing that produces such scenario is organization structure and design. If an organization structure is decentralized and behaviour of employees is complacence towards objective setting and achieving than it goes for maximizing behaviour. On the other hand, organizations that are based on centralized structure then normal behaviour of employees are not complacent and based on 'wait-and-see' strategy. Therefore, this is satisficing behaviour instead of maximizing because of the least involvement of employees.

Complacency concept actually studied under the domain of Management by Objective (MBO) in both Management and Change Management disciplines. It is normally used as a tool for avoiding resistance and conflicts.

(g) Inappropriate talent/ skills

If an organization wants to avoid resistance then they should be appropriately equipped with the requisite level of skills, knowledge and aptitude. It is based on learning behaviour or on learning culture in an organization. Here organization strategists can play an important role in change implementation process by determining the required skills and aptitudes and how can these be acquired. Because it is crucial for change implementation and for achieving the desired level of productivity.

Culture

(a) Ill-defined values or preferences and priorities

Managers, often top mangers, sometimes cannot create the climate for the enterprise. Sometimes, this is because they have unable to define and prioritise the values and preferences in organization. The values and preferences of the organization are depending on the values and preferences of the top management because their values influence the direction of the firm. Also some times, top management has

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conceived the values and preferences but unable to share them with the bottom of the organization. That makes implementation difficult and can create conflict in organizations. So, why values preferences and priorities are important? Because:

Values can be thought of as forming an ideology that permeates every day decisions.
In successful organizations, value-driven corporate leaders serve as role model, and are a symbol to the external environment.
The organization culture created by corporate leaders can result in managerial functions being carried out in quite different ways.

(b) Lack of consensus over priorities

This concept has already been discussed in our previous sessions that there must be consensus over priorities, goals and objectives formulation. Because people interpret and differ on organization goals and objectives both in qualitative or quantitative terms, and also give meanings to events at self reference basis. If consensus lacks then naturally conflict is bound to occur.

(c) Lack of fit

The point here is that there must be a fit or balance between organizational culture and newly formulated strategy. For instance in Higgins 8-S model, the first 7-Ss: Strategy, Structure, Systems and Processes, Style (leadership/management style), Staff, ReSources, Shared Values (organizational culture) are derived form waterman's model and 8th S derived by Higgins that is Strategic Performance. So what actually Strategic Performance means? The complimentarily or alignment of all seven variables is given in the connotation of strategic performance variable. If there is some misfit between any of theses variables then there could be the resistance in organization against desired change.

(d) Values that conflict with entrepreneurial requirement

Sometimes an organization based itself on such values which may contrary to the values of an entrepreneurial or progressive organization. Such kind of organizations normally has the following attributes:

- risk averting rather than risk taking attitude
- fearful about failure
- non innovative
- introvert personality
- least progressive thinking

For coping with such problems, the organization should move for transforming the attitudes and behaviours of his people that it is in the best interest of our organization to have entrepreneurial like values or behaviour. So values and strategies should be compatible to each other.

(e) Non-egalitarian values (elitist-orientation)

Egalitarianism means believing in equality or maintaining, relating to, or based on a belief that all people are, in principle, equal and should enjoy equal social, political, and economic rights and opportunities. In organizations context, there should be very little gap between leader and follower, or between bosses and subordinates. Therefore, such kind of organizations is considered very progressive and long lasting.

We can also found similar attribute in context of economies. For instance, the economies where gap between rich and poor is wider, therefore, such economies are very less progressive, least growth oriented, and have high degree of power distance . We can see such characterization especially in agrarian societies.

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Similarly, the non-egalitarianism, or in other words hierarchy and power differentiation in organizations also affects the change implementation process. If an organization is based on non-egalitarian kind of behaviour then it creates a moral deficit in actions which are vital for successful change implementation. In these organizations, the element of resistance is rather high as against those organizations which are egalitarian.

Why implementing strategic change is so difficult?

The author Alex Miller has cited some further variables which can cause constraints in implementation of a revised change strategy.

Organization Immune system

It is the tendency of the human system that human system seeks homeostasis and equilibrium. In every organization, there is an immune system which is working for the achievement of a comfort zone. In other words human system desired a world which could be more stable, more predictable, and more controllable. The same spirit is also working behind the base of scientific knowledge that it is struggling for achieving certainty, reliability, and predictability. And same spirit is working behind the social sciences that it is also struggling for predicting the various kind of human behavior. So that appropriate controllability could be achieved. Therefore, on the basis of this knowledge, which a management paradigm manifests, desired level of policies, actions, and processes has been designed.

But when a change occurs, firstly it creates a kind of disequilibrium and unstable environment. At second place, a resistance against this is emerged which is again a human system or immune system phenomena that makes the implementation process so difficult. So to overcome such resistance, one should associate different kind of incentives or packages that could lead the people to change their existing perceptual patterns and toward next level of equilibrium.

Numerous complex variables are at work

It means in organizations where simultaneously numerous complex variables are working interactively any intervention in one field or domain do not yield results. Why Miller has said this? Because commonly, number of strategists or even scholars associate a whole change process with one or two apparent variables that, according to them, brings a successful change in organizations. For instance, you have often heard a common sentence from number of intellectuals on television that if education could improve then all problems related to development could be solved. Another one says that if political structure could effectively be solved then all problems will be automatically solved. And so on and so forth. But in real life many variables are interconnected with each other and form a complex system. Similarly in organizational perspectives, management consultants often suggest that training is the most important component for dealing approximately all sorts of managerial problems. This training paradigm is more popular during 60s, 70s, and even in 80s. And in 90s, technology paradigm is considered vital for all sorts of managerial hindrances and can go for efficiency and competitive advantages.

Interconnectedness of various element

As Alex Miller said metaphorically:

> "Organization is like a woven fabric or sweater – if you pull one string or single thread, you run the danger of unraveling the whole."

The change management in organization is a difficult process. It is because strategists normally consider a single variable instead of the holistic view of the organization. For instance, what should

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be the ramifications for other departments or for the culture of the organization when an organization goes for introducing the new technology? So, these kind of issues or linkages must properly be addressed or analyzed when an organization go for a change because Organization is just like a woven fabric.

The Need to change every thing at once

The phenomenon that 'change should be happened overnight' is the most basic reason behind many change programs failures. There are two schools of thought about change implementation patterns. One is the incremental or gradual school of thought and the other is radical school of thought.

The first school of thought believes that if change pattern should be incremental of gradual then it is more effective, efficient and long lasting. As Mintzberg (1987) argued that many strategic changes are actually emergent strategies, or those that evolve incrementally over long period of time. The second school of thought believe that people already conceive gradual changes into their day-to-day businesses which is a continuous learning phenomena in organizations. So, any gradual changes have very little impact on the overall results of the organizations. The real change could only be achieved through large scale transformational or radical pattern which is based on shock-therapy or to compel people's mobility from comfort zone to non comfort zone. The Japanese, for instance, normally believe on incrementalism while the Russian believe on radicalism in context of change management patterns.

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LESSON # 36

WHY IMPLEMENTING STRATEGIC CHANGE IS SO DIFFICULT?

In the last lesson, we discussed four variables out of six which the author Alex Miller cited in his book about the generic dynamics of resistance to strategy implementation. These variables are:

1. Numerous complex variables are at work
2. Organization Immune system
3. Interconnectedness of various element
4. The need to change every thing at once

The remaining two variables are:

5. Activity centered change
6. Focus on quantity or numbers

Before we proceed to the next two variables, let me discuss some significance about the change implementation process.

Significance of the Strategic Change Implementation Process

> The weakness of many change results is often attributed to failures in the implementation process rather than strategy itself.
>
> (Beer et al 1990)

This quotation is indicating about a post-implementation phenomenon which an organization faces after an unsuccessful attempt of change implementation. The blame game often directed toward implementation process rather than strategic change itself.

> One problem is that research has long been characterised by search for the one best way to implement change
>
> (Dunphy & Griffiths 1998)

This quotation is describing a dilemma that the research in change management mostly work around to searching a universal solution or a roadmap for implementing change in organizations but unable to deliver it. The school of thought is quite predominant in its assertion that management is a universal phenomenon.

Activity Centered Change

It is a one of the dominant reasons for failure in the implementation of change program. This failure is largely depend upon the difference between the real nature of change and the perceptual nature of change in terms of execution. In other words change program should be activity centered or transformation centered. For instance, a change programs' outcome demands the transformation centered approach but it is mostly executed through activity centered approach. And also such appraisal is a typical fallacy that culminates into to the failure of a change programme or strategy. For instance, an organization introduces a training program for the purpose of behavioral modification, or values transformation. So, the imperative in this training program is the transformation of behaviors or values rather than to measure its success on activity centered factors such as: the way it is organized, how many participants attended it, etc. What happens is that the training program which is a means to achieve certain ends (of values transformation) becomes end in itself.

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Focus on quantity or numbers

Sometimes, it is called revenue centric approach in which number matters. From change management perspective, the results of any change program could be measured in terms of numerical values rather than on the basis of desired characteristics. In corporate organizations context, for instance, budgets setting is based on numeric rather than on objectives. So, it is imperative for organizations to focus on both, qualitative and quantitative aspects while going through policy making.

Change Implementation Approaches:

Two broad categories of implementation approaches are:

1. Participative Approach
2. Unilateral Approach

Participative approaches:

Participative approach is the most famous approach in today's business environment. It is comparable to the organization development (OD) model that focuses on the planned and controlled change of organizations in the desired directions. The fundamental assumption behind OD structure and participative change implementation approach is the same and that is 'Attitudinal Change'. And both are using the same techniques for attitudinal change, like:

1. Sensitivity training,
2. Teams building
3. Participation
4. Job-redesign

Participation is also a means of recognition. It satisfies the need for affiliation and acceptance of the people which is the third need in Maslow's hierarchy. In general, people are not motivated by being consulted but by being "in to the act." Hence the key mechanism of attitudinal change in this method is the generation of the support among the workforce which leads to empowerment of people by being them in the act. As a consequence, the right kind of participation yields both motivation and knowledge valuable for successful change implementation and enterprise success.

Unilateral Approach

It is a unilateral type of change and comparable with the Behavioural Modification (BM) model. The BM model is extension of some wider concepts such as of Motivation, Rewards, Learning and Organizational Culture. It is an attempt to understand and reduce complex change processes in the organizations to explicit rules, procedures and strategic actions to deal with all possible contingencies including legal compliance.

Similarly, the philosophy of unilateral approach or traditional way of management is based on actions rather than on attitudes. If actions goes right then automatically the attitudes and behaviors goes right. It is, sometimes, also called the classical school of bureaucratic approach. Unilateral approach is measured through outward actions and focuses on process design or redesign, job redesign, restructuring particularly the restructuring of authority, communication, and work rules. And it is a typical top-down phenomenon. As for legal compliance, technology is another mean for achieving the unilateral approach because it is considered universal. For instance, managers have a tendency to rely on technology in order to enhance productivity and efficiency in organizations. On the other hand, the modern participative approach is based on attitudes. Attitudinal change will lead to change in behaviors and actions automatically.

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Change Typology

Before implementation process deployment, there must be some issues that need to be addressed. For instance, at what circumstances which kind of change implementation approach is valid? However, it depends upon industry and nature and size of the organizations. But before going for comparison, we must differentiate between change classifications.

1. Technical-Structural
2. Behavioral–Social

Focus of Unilateral Change

The successes experienced by the workforce from forced changes will ultimately lead to workforce satisfaction and support. In forced change, there is an element of push or threat from top to down that makes the people to comply on all policies and procedures. People get experiences, support and ultimately satisfaction from the forced compliance by the senior executives. Also people mechanize themselves according to certain actions which are now standards until the next level of standards introduced. The unilateral approach has some indicators which are followings:

These are based on prescriptive, control and authority which modify objective or formal aspect of the work place.

1. Prescriptive means there is an element of consultation.
2. Control means that this is a planned or contingent change
3. Authority means force that is used for changing people's behaviours and this leads eventually to attitudinal change

This approach tend to be top-down, procedural, focussed on resource allocation and follows authority lines. Those who believe in unilateral approach argue that participation bring chaos and disorder because it is abstractive in nature and cannot be measurable. The successful change results can only be achieved through work itself instead of participatory and empowerment oriented organization culture. Advocates of this type of change participation and culture things are too abstract to enhance productivity.

On the other hand, peoples who believe on participative approach argue that this is focus on consultation or consensus oriented techniques that change values, attitudes, skills and untimely cause a change in behaviour which is a permanent phenomenon. The other consequences are reflected in the following ways:

Because employees are involved – they develop an ownership of the change plan initiated which gets translated into commitment and motivation to make the change work.

Comparison

In comparison, we are analyzing the change effectiveness or successful implementation which is contingent upon the interaction between types of change and techniques of change. At first, Lawrence observed the distinction between both technical and social aspects of change:

Technical Change:
The technical aspect of change involves making measurable modifications to the physical routines of the job. Conversely,

Social change refers to the modification of established relationship.

Lawrence concludes that the technical change could be introduced without social change if the social

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relations were accustomed to change. It means that technical change can only be introduced when there is frequent change in social relations in organization. Otherwise, if the rate of change in social relationship is static or well established then change could not be easily introduced. Nonetheless, a change may be primarily technical, but can create social effects that may impact on the outcome of change. Therefore, it is imperative here is that the type of change (technical–structural or behavioural-social) should correspond to the corresponding technique of change. Lawrence describe social relationships are essentially based on "give and take" relationship or two way relationship on the other hand technical approach is unilateral in nature. That is why he advocated participation as the one best method for introducing change because it corresponds to social relationship.

Similarly, another author Leavitt expanded the technical-social framework by adding a third category into the framework and that is structural change. According to him:

1. Technical change means change in actions measurement, computers, and in communication system
2. Social change means change in large set of goals establishes around people
3. Structural change means change in empowered work force, collaborative work arrangements, and in matching personal fulfilments to organizational needs

As a third valuable, the purpose of structural change is to enhance organisation performance through design and redesign of organization structure which means the redesigning areas of responsibility, authority, decentralising profit centres and reorganizing work flow.

Yet there is another scholar Michael Beer who just gave a single category of change instead of two or three that is the change in knowledge which automatically leads to an attitudinal change instead of structural, technical and social change.

Key contingencies in change types

1. Strategy–style (leadership attributes) matching theory in effective implementation
2. Personality is the primary determinant and background of the manager (socio-psyche orientation) for what manager does. (Managers cannot alter their behaviour to suit a situation)

Researches on both types of contingencies; strategy-style or personality, has linked them to the locus of control which is helpful in strategy execution like that of product innovation or differentiation strategy. In overall analysis, the issue is how to lower resistance and increase support for the change program or plan. Therefore, some key lessons are: first to identify or diagnose the type or nature of change program and the second is the implementation method which should be contingent upon types of change (Dunphy & Stace 1990). By addressing the second issue we have the following findings by the author:

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LESSON # 37

IMPLEMENTATION APPROACHES

In overall analysis of implementation process the issue is how to lower resistance and increase support for the change programme or plan. Key lesson for us is to identify or diagnose the type or nature of change programme. Implementation method is contingent upon type of change (Dunphy & Stace 1990)

The size and scale of change is contingent upon unilateral or shared techniques of change. Therefore what is required is to have a match of the two in case the change strategy is effective. This further means that for smaller changes consultation and consensus methods are considered effective so as to lower resistance and raise support for the change. By the same token, large scale changes like structural, job-redesign, policy & process, top down unilateral method is more effective than participative techniques.

The rationale for structural changes is that participation is too distant for individual interests and support is unlikely to be generated, and hence participation is considered unnecessary for such type of changes to be implemented.

The technical-structural or behavioural-social type of change is contingent upon unilateral or shared technique of change (matching the type with method). Implementation of technical /structural change requires more directive and less participative method as work force dislike changes such as downsizing and reorganization

Within the context of implementation of change plan or strategies we come across four different theses of implementation which are:

1. Logical Incrementalism of Quinn
2. Radical or Transformative change
3. Punctuated Equilibrium Model (Tushman & Romanelli's Model)
4. OD models

We have already dealt partially with Quinn's model but let us revise, refresh and deal this in the context of implementation of a change strategy.

1. Incrementalism

The concept is rooted in Lindblom's (1959) concept of muddling through – who down plays the concept of rational and comprehensive change within organizations. He deemphasized planning school and argued that most organizations are heavily built upon their past actions in determining their future direction. These past actions serve as the basis of the organization future. Since organizational and decision maker's resources are limited, the most economic actions are those that are minor variations from the current state. Hence most change is considered as an extension of organization's history, or a series of successive limited comparisons to previous actions. (you may apply this concept to evaluate practices and reforms in public sector organization). Quinn identified this as logical incrementalism.

The concept of logical incrementalism remained a frequently cited concept, especially 1980s. Its leading proponent Quinn believes' in planned change and orderly transition. He was thoroughly against radical change in strategy and in organizational directions, systems or central processes. He believes that effective manager is the one who moves the organization forward in small, logical steps. He thinks that incremental change increases confidence amongst employees, and reduces organizational dependence on outsiders to provide momentum for strategic change. Therefore he values evolutionary rather than a revolutionary change; and an order rather than disorder.

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Attributes of incremental change:

1. Consensus and collaboration style of leadership and management is required for incremental change instead of conflict and power oriented approach.

2. Similarly the use of expert authority and persuasiveness of data is considered more effective rather than of positional authority or emotionality of charismatic leadership.

3. Incrementalism is perhaps is the most suitable for the environment of stability and of continuity, as this was illustrated during the 1970s and 1980s

4. For Mintzberg, a renowned management strategist, strategy emerges over time through a continuing process of organizational actions and learning as it seeks to cope with and adapt to its environment. To him, the complex and dynamic nature of the organization's environment , often coupled with the diffusion in the organization of its knowledge base for strategy making, precludes deliberate control; strategy making must above all takes the form of a process of learning over time, in which, at the limit, formulation and implementation become indistinguishable. His paradigm is of emergent strategy comes closer to incrementalist view of strategy implementation as it erodes the distinction between formulation and implementation

5. Similarly for planning school, incremental change is the method by which change can be implemented best by top management while for learning school it is the method organization learns from its interaction with environment

6. Ansoff, another famous strategist says in his book the new corporate strategy, "Firms and other organizations which are not subjected to strategic shocks do nevertheless go through discontinuous strategic changes. This occurs through step-by-step accumulation of incremental changes which over a long period of time, add up to transformation of culture, power structure and competence." Therefore the effective and planned change management means minimizing political and cultural resistance in an organization through incremental change.

Therefore what is obvious is that incremental change can also be transformational in nature over a period of time. Incremental change reduces the resistance within the organization change for strategic changes, is considered the reason and effectiveness of incremental strategy.

Planned Change Management versus Emergent Change Management

By reviewing more than 30 models of planned change, Bullock and Batten (1985) developed a four-phase model of planned change that splits the process into exploration, planning, action and integration. According to Burnes (2004) this is a highly applicable model for most change situations. The model looks at the processes of change, which describe the methods employed to move an organization from one state to another, and the phases of change, which describe the stages an organization must go through to achieve successful change implementation. Although the planned approach to change is long established and held to be highly effective, it has come under increasing criticism since the early 1980s.

Firstly, it is suggested that the approach's emphasis is on small-scale and incremental change, and it is, therefore, not applicable to situations that require rapid and transformational change.

Secondly, the planned approach is based on the assumptions that organizations operate under constant conditions, and that they can move in a pre-planned manner from one stable state to another. These assumptions are, however, questioned by several authors who argue that the current fast-changing environment increasingly weakens this theory. Moreover, it is suggested that organizational change is more an open-ended and continuous process than a set of pre-identified set of discrete and self-contained events. By attempting to lay down timetables, objectives and methods in advance it is

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suggested that the process of change becomes too dependent on senior managers, who in many instances do not have a full understanding of the consequences of their actions.

Thirdly, the approach of planned change ignores situations where more directive approaches are required. This can be a situation of crisis, which requires major and rapid change, and does not allow scope for widespread consultation or involvement. Finally, the critics argue that the planned approach to change presumes that all stakeholders in a change project are willing and interested in implementing it, and that a common agreement can be reached. This presumption clearly ignores organizational politics and conflict, and assumes these can be easily identified and resolved.

In response to this criticism of the planned approach to organizational change, the emergent approach has gained ground. Rather than seeing change to be top down driven, the emergent approach tends to see change driven from the bottom up. The approach suggests change to be so rapid that it is impossible for senior managers effectively to identify, plan and implement the necessary organizational responses. Therefore, the responsibility for organizational change has to become increasingly devolved.

By the emergent approach to change emphasizes that change should not be perceived as a series of linear events within a given period of time, but as a continuous, open-ended process of adaptation to changing circumstances and conditions. The emergent approach stresses the unpredictable nature of change, and views it as a process that develops through the relationship of a multitude of variables within an organization. Apart from only being a method of changing organizational practices and structures, change is also perceived as a process of learning.

According to the advocates of the emergent approach to change it is the uncertainty of both the external and internal environment that makes this approach more pertinent than the planned approach. To cope with the complexity and uncertainty of the environment it is suggested that organizations need to become open learning systems where strategy development and change emerges from the way a company as a whole acquires, interprets and processes information about the environment. The approach stresses a promotion of 'extensive and in-depth understanding of strategy, structure, systems, people, style and culture, and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process'.

Furthermore, Burnes argues, 'successful change is less dependent on detailed plans and projections than on reaching an understanding of the complexity of the issues concerned and identifying the range of available options. It can, therefore, be suggested that the emergent approach to change is more concerned with change readiness and facilitating for change than to provide specific pre-planned steps for each change project and initiative.

This strategy of disjointed incrementalism may have much to recommend it. It reduces political obstacles to changes and avoids irresolvable arguments about complex goals and values. The focus is on patching things up and dealing with obvious problems as they arise. There generally is less disagreement surrounding the choice of methods for handling disasters. Also, the risk of ruin or great loss tends to be reduced by making incremental moves instead of far-reaching ones. Incrementalism allows the organization to learn from its previous actions and still be in a position to remedy them. Finally, cognitive strain is reduced by dealing with manageable facts of reality, by focusing on bottlenecks, and by choosing from a short list of well-tried expedients for dealing with them.

Unfortunately, the applicability of this approach to the realm of structural change has not been considered. It may be reasonable to suggest, however, that incremental and piecemeal strategies might offer as many political, economic, risk reduction, and cognitive advantages for changing structures as they do for modifying policies. For example, small structural adjustments that respond to specific and pressing problems are likely to cause least dissension and conflict. Also, they are more reversible, cheaper and are less disruptive than extensive changes. They, therefore, are less risky. If small changes do not work out the organization's survival probably will not be threatened. Finally, small structural

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changes are less taxing to the imaginations and cognitive capacities of the executives. They do **not** require lengthy periods of analysis or complex or elaborate master **plans.**

The strategy of disjointed incrementalism is consistent with the views of those who see organizations as loosely coupled systems (Aldrich, 1979; Weick, 1969). It is maintained that different subunits of the organization can change independently without importantly influencing the other subunits. Therefore, it may be that many elements of structure can be changed locally and that much adaptation to the environnent can be effected independently by organizational **subunits.**

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LESSON # 38

IMPLEMENTATION: RADICAL OR TRANSFORMATIVE CHANGE

Since the need for change often is unpredictable, it tends to be reactive, discontinuous, ad hoc and often triggered by a situation of organizational crisis. Although the successful management of change is accepted as a necessity in order to survive and succeed in today's highly competitive and continuously evolving environment. Balogun and Hope Hailey (2004) report a failure rate of around 70 per cent of all change programmes initiated. It may be suggested that this poor success rate indicates a fundamental lack of a valid framework of how to implement and manage organizational change as what is currently available to academics and practitioners is a wide range of contradictory and confusing theories and approaches.

Grundy defines discontinuous change as 'change which is marked by rapid shifts in strategy, structure or culture, or in all three'. This sort of rapid change can be triggered by major internal problems or by considerable external shock. According to Luecke (2003) discontinuous change is onetime events that take place through large, widely separated initiatives, which are followed up by long periods of consolidation and stillness and describes it as 'single, abrupt shift from the past'.

Advocates of discontinues change argue this approach to be cost-effective as it does not promote a ever-ending process of costly change initiatives, and that it creates less turmoil caused by continuous change. Nelson (2003: 18) states that 'Change cannot be relied upon to occur at a steady state, rather there are periods of incremental change sandwiched between more violent periods of change which have contributed to the illusion of stability once assumed to be the case.'

According to Luecke (2003) this (continuous) approach allows defensive behaviour, complacency, inward focus, and routines, which again creates situations where major reform is frequently required. What is suggested as a better approach to change is a situation where organizations and their people continually monitor, sense and respond to the external and internal environment in small steps as an ongoing process. Therefore, in sharp contrast to discontinuous change, Burnes (2004) identifies continuous change as the ability to change continuously in a fundamental manner to keep up with the fast-moving pace of change. Burnes (2004) refers to incremental change as when individual parts of an organization deal increasingly and separately with one problem and one objective at a time. Advocates of this view argue that change is best implemented through successive, limited, and negotiated shifts.

The difference between Burnes' (2004) understanding of continuous and incremental change is that the former describes departmental, operational, ongoing changes, while the latter is concerned with organization-wide strategies and the ability to constantly adapt these to the demands of both the external and internal environment

When characterized by how change comes about, there are several different approaches. However, the literature is dominated by planned and emergent change. Even though there is not one widely accepted, clear and practical approach to organizational change management that explains what changes organizations need to make and how to implement them the planned approach to organizational change attempts to explain the process that bring about change. Furthermore, the planned approach emphasizes the importance of understanding the different states which an organization will have to go through in order to move from an unsatisfactory state to an identified desired state.

The foremost questions are how do we define and identify radical changes? What are radical or transformational changes? Why it is considered more effective for organizational transformation? Changes associated with strategy or strategic changes are considered revolutionary changes. For e.g. restructuring, privatisation of a state owned unit, merger, take-over, acquisition or joint-venture amongst two organizations. Similarly changes pertaining to product development or market development and the strategies how to engage customers through differentiation, technology or cost leadership. Such decisions of organizations like exit or entry decision viz. product, market, R& D etc.

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Other types of radical changes could be of down-sizing, cost-cutting but these are related to structural changes as well.

Why Radical Change?

Arguments for radical changes are based on the inherent weakness associate with the incremental approach to strategy implementation. By this we enter a debate between effectiveness and efficacy of continuous (incremental) and discontinuous (radical) change? Which one is more effective? Rational adaptation theorist believes organisation change can easily and speedily be managed given the various types of exogenous changes. Natural selection theorists view organisation as complex systems severely constrained by exogenous forces that create and institutionalise strong web of commitments. From this perspective, organisations are inherently inflexible to respond to external opportunities and threat, and rarely engage in transformations.

Orlikowski challenged the concept that changes must be planned, technology is the primary cause of technology-based organisational transformation, and that radical changes always occur rapidly and discontinuously. Therefore change cannot be anticipated and hence is discontinuous in nature. In contrast she maintains that organisational transformation is an on-going improvisation enacted by organisational actors trying to make sense of and act coherently with the world.

Radical or Transformative changes

Related concepts are quantum change, discontinuous change or radical change. Quantum change is said to occur when change is both dramatic and concerted. A caution must be taken on strategic change as this is defined as a variation in organization's long term goals and mission, and may occur in either incremental or revolutionary manner. Therefore, increment view holds that organization experiences large scale strategic changes quite slowly while revolutionary view suggests long periods of organization experience brings very little strategic variation instead punctuated by short intense periods of change.

Proponents of radical perspectives, organization changes very little through incremental change. Incrementalism fails to account for large-scale organizational transitions which are related with total structures, management processes and corporate cultures where the theme is of:

- Restructuring
- Repositioning
- Revitalization
- Or Renewal

Assumptions on which incrementalism rests are:

1. Senior managers have the capacity to fully anticipate the environmental forces (opportunity & threat) and future conditions for further development. The assumption may be valid for stable times and age of continuity. However an age of discontinuity presents an environment so complex and turbulent that it is sometime impossible for the most competent manager to accurately predict the future.

2. Second, assumption is that organization is run by intelligent and pro-active managers. In fact organization and societal selection processes are such that many/ majority of managers are very mediocre and have information and experience limited to their industry and cannot judge complex information outside their industry and organization therefore cannot scan the environment effectively. (where scanning environment is the 1st step in strategy formulation).

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3. Third assumption is that large scale organizational change can always be accomplished incrementally. The fact is managers have little control over economic fluctuation, political intervention, industry restructuring; and on other discontinuities and technological developments which destroy the whole market and organization processes and structures (high pace of change can not be managed incrementally). These discontinuities are often beyond the control of managers because managers are members of a dominant coalition with a historical conditioned model of reality.

Nonetheless the above stated arguments do not imply that managers are completely powerless in a deterministic world. Johnson and Scholes view is more descriptive of reality as they believe that managers live in a world operated by both determinate forces which act as constraints and also scope for exercise of managerial choice. Here our concern is that discontinuities arise which are often beyond the capacities of managers to sense and act upon, particularly given that managers are members of a dominant coalition with an historically conditioned model of reality. To the extent that managers can be powerless to change external forces that may also be unforeseen, and can be trapped in to a fixed mind-set, they will be forced into a reactive rather than proactive mode. Their culture ordinarily is identified as of a bureaucratic one which is based on tight and narrowly defined rules, procedures and following precedence. Therefore in such a scenario managers and power elites in the organizations are least motivated or internally driven for change. Hence in such cases the need is to have externally imposed change. This is considered the only way to bring the organization back into fit with its environment.

Revolutionary change theorist view that organization having deep structures (Gersick 1991) or coherent configuration of strategy, structure, systems, controls and ideologies which are highly stable in nature limit the range of options available to manager contemplating change.

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IMPLEMENTATION: RADICAL OR TRANSFORMATIVE CHANGE (Continued)

In the previous we have discussed and debated the two approaches. In exploring the dramatic versus incremental change positions, according to Miller and Friesen, successful firms generally were found to have significantly higher percentage of extreme changes along structural variables than were unsuccessful firms. Dramatic change seems to be more closely associated with success than is incremental change. Successful firms are more likely than unsuccessful firms to evidence both extreme changes and no changes in structure. These findings suggest that it may be useful for structural variables to increase dramatically and quickly. Incremental structural change was less likely to be undertaken by high performing firms. Thus in overall analysis, Miller postulates that change should occur either in dramatic jumps or not at all. Such an approach will ensure that as little time as possible is spent making turbulent, unsettling and costly transitions.

The strengths of radical change management are based upon the weaknesses of incrementalism. One such limitation of incrementalism is related with the existence of deep structures in organization. Deep structures initiate inertia and power commitments of organization members to existing conditions preclude departure from change.

What Causes Revolutionary Change

Revolutionary changes can result from well-defined trigger events that can overcome organization inertia or deep structure. Here we are going to discuss some organization triggers which can cause revolutionary change. The following are the basic categories which trigger organization change:

1. Leader
2. New Strategy
3. Gestalt phenomenon
4. Prolonged lack of fit between organization and its environment
5. Technological innovations
6. Dramatic shift in governmental policies
7. Re-engineering

1. New Leader or Leadership

For Bennis a scholar of leadership since the 1950s, “the quality of all our lives is dependent on the quality of our leadership. It is the leadership or personality of the leader (or CEO) which plays decisive role in shaping organizational outcome. Edgar Schein highlights the role of founder member (or top leadership) in bringing organizational effectiveness. Moreover change in leadership is considered discontinuous change. Therefore in practice replacement of CEO is considered to bring to bring in radical change. Again it is the leadership which play decisive role in the formulation of either incremental or radical type of strategy.

We are familiar with organizational researchers who attempt to identify the behaviors associated with leadership using simple two-factor models of people-centered or task-centered leadership. Again, confusion reigned because it appeared that situational moderators altered the nature of relations between the leader behavior and outcomes. Contingency theories were thus developed (e.g., Fiedler 1967; House 1971); however, they too hit an impasse in their predictive ability because of difficulties in testing the models in various contingencies and because the models focused on a limited set of behaviors and almost wholly ignored traits.

Another problem with behavior and contingency theories was that oftentimes they operated under the limited supposition that individuals are motivated to maximize the utility they obtain in social exchange processes; followers are apparently only motivated by rewards (typically economic) or to avoid

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sanctions. Thus, leaders make implicit or explicit "deals" with followers and reward and punish them contingent on outcomes. However, looking at leadership only from an economic-rational perspective is very restricted and incomplete because individuals are not merely motivated to maximize their economic utility but also to self-express, to reinforce an identity of who they are or who they are aspiring to be, and to do what is ideally or morally correct. Oftentimes, and in particular in situations that are equivocal, individuals might be motivated to act irrespective of apparent external (economic) rewards linked to their actions (Shamir, 1991). The economic-rational perspective, however, looks at leadership from the basis of transactions and exchanges--assuming that followers react only to "carrots and sticks" in specific (i.e., "strong" or uniform) instances (see Bass, 1985; Burns, 1978). The nature of the exchange (transaction) that occurs depends on the extent to which the players have lived up to their side of a particular deal.

This form of transactional leadership works. However, it is less strongly related to outcomes measures than is charisma or other emotional-based influencing processes. Furthermore, transactional leadership is not theorized to work well in equivocal situations and one can differentiate between unequivocal (i.e., "strong") and equivocal (i.e., "weak") situations (see Mischel, 1977; also Shamir, 1995). The former have uniform expectations that are evident to individuals and guide individuals in terms of the normative action that has to be taken (thus, individual differences do not predict behavior very well in these conditions because everyone pretty much will do the same thing in that situation). The latter are characterized by their "fuzziness" in which decision processes are a function of individual differences and interpretations.

Leadership research emerged from its 1970s and 1980s rut of pessimism. The study of leadership was rejuvenated by theories that focused on the psychological impact of charismatic and visionary leadership on followers (e.g., House, 1977; see also Bass, 1985; Bennis & Nanus, 1985; Burns, 1978). The full-range leadership theory (Bass, 1985), is described in detail below, currently dominates leadership research (Hunt, 1999; Lowe & Gardner, 2000).

Definition of Leadership

Bearing in mind the above discussion, leadership can be defined as "the nature of the influencing process--and its resultant outcomes--that occurs between a leader and followers and how this influencing process is explained by the leader's dispositional characteristics and behaviors, follower perceptions and attributions of the leader, and the context in which the influencing process occurs. . . . [A] necessary condition for effective and authentic leadership is the creation of empowered followers in pursuit of a moral purpose, leading to moral outcomes that are guided by moral means" (Antonakis et al., 2004, p. 5). The leadership process thus consists of leader traits and behaviors, and follower perceptions in a particular context (for what is a leader without followers?). Context is important as a moderator of the relation between leader characteristics and outcomes, because contextual factors (e.g., times of crisis/threat versus system stability) affect the types of traits or behaviors that might emerge and how those traits or behaviors are related to leader outcomes.

Finally, leadership is not merely a top-down process. Because leadership is defined as an influencing process it can also be exercised sideways, diagonally, and down-up throughout an organizational hierarchy (Hunt, 2004). Thus, leaders and followers can change roles, depending on the direction of the influencing process. Followers are not merely static bystanders but play an important role in the leadership process by legitimizing and influencing leaders. In the above explications, the focus is on what can be termed leadership "in" organizations, that is, direct or supervisory leadership (Hunt, 1991). There is also leadership "of" organizations or what can be termed as indirect or strategic leadership (Hunt, 1991). The nature of the influencing process varies as a function of leadership being "close" or "distant" (Antonakis & Atwater, 2002). Political leaders, for example, are distant leaders, influencing their subordinate leaders - who in turn influence others in the hierarchy and ultimately followers - as well as organizational systems and followers

Important here is that leader individual differences (e.g., leader personality) are manifested in, and

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affect organizational structure. In other words the leader's way of doing things becomes bureaucratized (Weber, 1924/1947). Thus, the influencing process is not confined to followers but also to organizational and social structures.

From a strategic perspective, organizations must anticipate and react to outside opportunities and threats by using and cultivating their organizational strengths while minimizing or eliminating their weaknesses. This function does not and should not occur haphazardly; leaders, through their actions on subordinate leaders and followers and on organizational systems allow for organizational adaptation to occur. Leaders must understand the systems in which they are operating and how best to integrate independent organizational functions towards the organization's strategic objectives. The "fit" between the organization and the environment depends on several processes that occur at the top hierarchical level. Leaders scan the external and internal environment; align discrete resources toward the vision; project vision and provide meaning; determine values; energize and inspire action; carve visions into operational plans; provide resources; show the way and role model; provide feedback, teach, correct, reward, and punish.

Broadly speaking, the aforementioned processes refer to leader actions that can be termed "transformational" and "instrumental." Transformational leadership is a visionary and value-based form of leadership necessary to inspire action, and is predicated on the leader's symbolic (charismatic) power. Instrumental leadership refers to strategic and operational actions that influence organizational and follower performance based on the leader's expert power. Both forms of leadership are vital for organizational effectiveness.

The typologies of leadership, as cited by Antonakis in his article, can be briefly described as follows:

1. Transformational leadership, which explains value-based, visionary, emotional, and charismatic leader actions, predicated on the leader's symbolic power

2. Transactional leadership, a quid pro quo influencing process based on reward and coercive power

3. Instrumental leadership, centered on strategic organizational and follower work facilitation functions based on expert power

4. Laissez-faire leadership, a form of non-leadership in which the leader abdicates his or her responsibility and is high avoidant.

Understanding the importance of leadership, as broadly defined in the above typologies will become evident as it is focused on why followers trust and identify with leaders and how vision is implicated in the leadership process.

Vision, Trust and Identification

Antonakis and Atwater argued that trust in the leader depends on whether the leader:

1. has domain-relevant expertise (i.e., instrumental leadership).

2. exhibits values that are congruent to those of the stakeholders, challenges the status quo for the better, demonstrates moral conviction (i.e., transformational leadership).

3. is honest and reliable in terms of fulfilling his or her transactional obligations (i.e., transactional leadership).

The key to effective leadership is the "trustability" of the leader and the extent to which the leader expresses the sentiments of the collective in a vision--the glue that bounds the leader's and follower's ideals. Vision is primordial for leader success and, in lay terms, can be thought of foresight or

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foretelling the future. In reality, leaders cannot predict the future. They can, however, articulate a vision and then do whatever is necessary to make the vision happen. Thus, vision can be defined as the ability to "construct the future first mentally and then behaviorally". In more specific terms, identification can be explained in a through a three-step and not a necessarily sequential process which include active-proactive elements of the full-range theory (i.e., transformational, instrumental, and transactional leadership):

1. Leaders assess the status quo, determine the needs of followers, evaluate organizational and human capital resources (all instrumental leader processes), and arouse follower interest by articulating a compelling and realistic argument for change (i.e., they use metaphor, symbolic actions, impression management, all elements of transformational leader behavior).

2. Like prophets, leaders articulate a vision of the future that inspires follower action (transformational leadership). The idealized vision creates follower identification and affection for the leader, because the vision embodies a future state of affairs that is valued by followers (transformational leadership).

3. Leaders create an aura of confidence and competence by demonstrating conviction that the mission is achievable (transformational leadership), leading by example (transformational leadership), carving the vision into strategic and tactical plans (instrumental leadership), and by providing technical expertise (instrumental leadership) and socio-emotional support (transformational leadership).

Antonakis explained the attributes of full-range theory of leadership as under:

What Is Transformational Leadership?

Transformational leadership is composed of five sub factors and mostly addresses actions centered on vision, ideals, optimism, and so forth. Certain factors might be more important than others, depending on the hierarchical level of the leader or the organizational context. For example, a high-level leader cannot have individualized contact with far-removed followers. Thus, the relevant factor described below (i.e., individualized consideration) can only be applicable to how direct followers of the leader view the leader.

- **Idealized Influence (Attributes) and Idealized Influence (Behaviors)**

Attributional idealized influence refers to attributions of the leader made by followers as a result of how they perceive the leader. Behavioral idealized influence refers to specific behaviors of the leader that followers can observe directly. Both factors essentially measure the leader's charismatic appeal with respect to the leader's confidence and power, and the extent to which the leader is viewed as having higher-order ideals and an ethical orientation. Idealized influence, or charisma, as Bass (1985) originally defined it, is the emotional component of leadership, which is "used to describe leaders who by the power of their person have profound and extraordinary effects on their followers". Theoretically, followers revere these leaders and demonstrate loyalty and devotion to the leader's cause. Followers shed their self-interest and care more about collective aspirations. As noted by Bass (1998), "transformational leaders shift goals [of followers] away from personal, safety and security towards achievement, self-actualization, and the greater good". Followers idealize these leaders who are role models and provide them with a vision and purpose, and who consider the moral and ethical implications of their decisions. These leaders communicate symbolically, use imagery, and are persuasive in projecting a vision that promises a better future. In this way they create an intense emotional attachment with their followers.

- **Inspirational Motivation**

Inspirational motivation is leadership that inspires and motivates followers to reach ambitious goals that may have previously seemed unreachable. Here, the leader raises followers' expectations and inspires action by communicating confidence that they can achieve these ambitious goals. By predicting that

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followers are able to reach ambitious goals, and showing absolute confidence and resolve that the goals will be reached, followers are inspired to reach the requisite level of performance beyond normal expectations, and a self-fulfilling prophecy occurs

- **Intellectual Stimulation**

This factor taps into the rational component of transformational leadership, distinct from the other transformational components. Here, the leader appeals to follower's intellect by creating "problem awareness and problem solving, of thought and imagination, and of beliefs and values" (Bass, 1985, p. 99). Bass noted further that as a result of intellectual stimulation, "followers' conceptualization, comprehension, and discernment of the nature of the problems they face, and their solutions" is radically altered. Because individuals are included in the problem-solving process, they are motivated and committed to achieving the goals at hand. Intellectual stimulation involves challenging follower assumptions, generalizations and stereotypes, and stimulating followers to seek ways of improving current performance

- **Individualized Consideration**

Bass (1985) stated that a leader using individualized consideration provides socio-emotional support to followers, is concerned with developing followers to their highest level of potential and with empowering them. The leader in this instance provides "a developmental or mentoring orientation toward [followers]" This outcome is achieved by coaching and counseling followers, maintaining frequent contact with them, and helping them to self-actualize.

What Is Transactional Leadership?

Transactional leadership is composed of three sub-factors. The first two (contingent rewards and management by exception active) are active forms of leadership. The last is a passive reactive form of leadership. Again, how leaders enact these components and what followers can perceive the leader doing depends on leader-follower distance and other contextual constraints. For instance, at a distance (e.g., political-level leadership, where followers lack information on the leader), followers evaluate leaders on broad obligations that were communicated to the collective. That is, the "deal" that is made was not with specific individuals but with the collective in general.

- **Contingent Rewards**

Bass (1985) argued that contingent reward leadership is based on economic and emotional exchanges between followers and their leader based on the clarification of role requirements and the rewarding of desired outcomes. Here, the leader praises and recognizes followers for goal-achievement (Bass & Avolio, 1997). Contingent reward is a constructive transaction (Bass, 1998). It is reasonably effective in motivating followers, but to a lesser degree than is transformational leadership.

- **Management-By-Exception (Active) And Management-By-Exception (Passive)**

Management-by-exception is by definition a negative transaction, because the leader monitors follower deviations from the explicated performance norms (Bass, 1998). It is similar to contingent reward in terms of focusing on outcomes, but here, the leader acts on mistakes or errors (i.e., the leader is providing contingent aversive reinforcement). Leaders can demonstrate management-by-exception in an active or passive manner (Hater & Bass, 1988). A leader employing active management-by-exception actively watches for deviations from norms, whereas a leader employing passive management-by-exception waits until deviations occur before intervening.

What Is Instrumental Leadership?

Following the review and theoretically derived integration of transformational leader approaches recently undertaken by Antonakis and House (2002), instrumental leadership can be defined as a class

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of leader behaviors concerning the enactment of leader expert knowledge toward the fulfillment of organizational-level and follower task performance (see also Nadler & Tushman, 1990). Instrumental leadership is distinct from transformational (i.e., ideals, inspirationally based, etc.) and transactional (i.e., exchange-based) leadership and encompasses two subclasses of leader behaviors. Each of these subclasses, in turn, consists of two factors: (a) strategic leadership--leader actions centered on environmental scanning and strategy formulation and (b) follower work facilitation--leader actions focused on assisting followers to reach their performance goals, as described below. Again, leader-follower distance as well as other situational factors will impose differential effects of these components on followers and organizations. For example, work facilitation would be more pertinent in "close" situations whereas strategic leadership would be more pertinent to top-level hierarchical leadership.

- **Strategic Leadership**

Strategic leadership can be conceptualized in terms of two distinct factors evident in the theories reviewed by Antonakis and House (2002): (a) environmental monitoring, and (b) strategy formulation and implementation, as proposed by Mintzberg (1988). Theoretically, strategic leadership directly (through structures and systems) and indirectly (though followers) influences and enhances organizational effectiveness. Strategic leadership might also facilitate the charismatic effect because the identification of a deficiency in the status quo and the articulation of a vision that can project a better future is a function of a leader's ability to use strategic leadership skills.

- **Follower Work Facilitation**

Following Bowers and Seashore (1966), follower work facilitation can be viewed as the type of leadership that facilitates follower performance directly. Work facilitation includes elements of path-goal theory (i.e., providing direction and support to followers to facilitate the path to the goal, House, 1971) - not addressed in contingent reward leadership (although Bass, 1985, suggested otherwise). Work facilitation also includes an active-constructive outcome monitoring form of leadership that has a development outlook that is not merely mistakes focused (as is management-by-exception, see Antonakis & House, 2002). Thus, follower work facilitation leadership entails monitoring performance outcomes and providing feedback that is instrumental for goal attainment, compensating for followers' abilities and environmental conditions to ensure that followers reach their goals, and thereby increasing the probability that follower performance goals are maximized. Leadership behavior that facilitates followers in these ways enhances followers' self-efficacy and motivation (cf. Bandura, 1977).

- **Laissez-Faire Leadership**

To fully account for all potential full-range leadership behaviors, a scale of non-leadership was added to indicate an absence of leadership (i.e. a non-transaction). This factor is negatively correlated with the active forms of leadership and positively correlated with passive management-by-exception. These types of leaders avoid taking positions or making decisions, and abdicate their authority. After management-by-exception passive, this factor is the most inactive form of leadership.

2. New Strategy

This is another important variable which can act as a trigger for organizational transformation. Earlier we have thoroughly discussed tautological approach of change management which is quite similar and relevant to explain this variable. For example, change in objectives or strategy impacts decisively the organization transformation. Going for expansion through diversification is one such strategy bringing in transformation. Hence new strategy formulated will impact organization's structure, process and culture as well. If an organization pursues growth and expansionism through internal development strategy (equity based) – most of the time this will be occurring incrementally while if it is pursuant of the same through alliances, acquisition and joint ventures (externally based) – means radical organizational transformation. Similarly divestment and other strategies have revolutionizing impact.

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Such strategies like new product line and market development have transformational impact on organization structure and culture

3. Gestalt phenomenon

The phenomenon can be defined as:

> "Gestalt phenomenon is based on the belief that persons function as whole, total organisms. And each person possesses positive and negative characteristics that must be owned up to and permitted expression."

Three variables stand critical here:

1. positive and negative forces
2. ownership and recognition of negative features or attributes
3. integrated and totality of view

Another definition of gestalt is

> "People get into trouble when they do not accept their total selves, and when they are trying to live up to the demands (should) of others rather than being themselves."

This leads to a kind of debate between self vs. other, and is quite relevant even in context of organization. For instance whether a firm should learn from other organization in the same industry by copying other or retain its own unique competencies. Similarly gestalt has imperatives for individual manager in organization whether or not to use its authority and discretion

Robert Herman lists the goals of gestalt:

- Awareness - knowing one's strengths and weaknesses
- Integration - amongst the different functional specialist department at horizontal and vertical level too.
- Maturation -
- Authenticity - reliable and valid information and its evaluation
- Self regulation - for behavioural change.

Self-evaluation technique that is to know one's strengths and weaknesses has quite utility both at individual and organizational levels. This technique is used in corporate training for management development and team building. Gestalt training or phenomenon will lead to trigger from within.

Basically one must come to terms with oneself, must accept responsibility for one's action; must experience and live in the here and now, and must stop blocking off awareness, authenticity and other dysfunctional behaviour

4. Prolonged lack of fit between organization and its environment

We have already discussed much this issue earlier in our lecture related to organizational adaptation and evolutionary theory.

5. Technological innovations

In today's world perhaps the most frequent and common trigger for organizational transformation is technology. This transformation occurs on account of revolutionizing production process, informational and communication technologies or other processes such as demand management, order fulfillment. It is the technological innovation perceptibly lead to increased efficiency in value chain activities,

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especially in primary and support activities of the value chain.

6. Dramatic shift in governmental policies

It is the government which has decisive and dramatic impact on industry. The governments especially in developing countries have the ability to initiate policies diametrically opposed to its previous policies, in order to set standards or to regulate industry.

7. Re-Engineering

This remained a popular paradigm of business process re-engineering in mid-1990 - a related theme to radical or revolutionary change. Its leading proponent is Hammer who says:

> "Marginal improvements, as a rule, complicate the current process, making it more difficult to figure out how things really work. Even worse making additional investment of time or capital into an existing process only discourage management from dumping that process down the road. Most perniciously, taking incremental steps further reinforces a culture of incrementalism, creating a company with no valor or courage"
>
> (Hammer & Champy 1993)

Therefore we see from the above that incrementalism leads to the followings:

- Complicates the existing process
- Difficult to know what is going and what really works
- Not good for making investment of time, money & efforts
- Organization cease to be courageous / risk taking & creative

Fundamental concepts of Re-engineering

1. A clean slate approach to organization design and change (out of box thinking)

This corresponds to zero-based budgeting which was very popular in America back in 1960s, which means a fresh and dialectic approach to problem solving and decision making. This negates the impact of history or continuity with the past and hence encourages discontinuity. Nonetheless the fresh beginning is not an easy thing, and at times becomes impractical; therefore the concept becomes a controversial.

2. An orientation to broad cross-functional business process

As referred to this concern earlier that organization especially the larger ones owing to specialization lacks a well-coordinated, coherent and holistic policies and decision making hence needed to promote cross-functional perspectives. Such techniques like that of internal customer, and job rotation are considered quite effective to have holistic level organizational performance for organization to become HPO.

3. The need for radical change in business processes

Technological changes (having radical impact) in multiple on-going business processes of organizations such as demand management, order fulfilling, and other production process are needed to be revised significantly over a period of time besides improvement in general managerial processes like decision making, controlling and communicating.

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4. IT as change-enabler

The role of information and communication technologies in production processes, how work is done and in other work processes is tremendous to act as change catalyst in the organization.

5. Changes in organizational and human arrangement that accompany change in technology.

Changes in technology are never considered to be implemented in isolation and irrespective of human, organizational and social interpretations. Technology ought not to be considered value-free. The values are laden by the technology producer's, originator's and introducer's values. Hence organizations need to take caution of this note.

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LESSON # 40

IMPLEMENTATION: RADICAL OR TRANSFORMATIVE CHANGE (Continued)

Dunphy used the following typology for the causation for revolutionary change

Environmental Creep:

The environment itself may be changing incrementally and in ways become imperceptible to managers. Therefore the degree of change over time may be large and require major re-adjustment

Organizational Creep:

The organization itself may move out of strategic alignment with an environment which remain relatively stable

Diversification, Acquisition, Merger, Shut downs:

Diversification, for example, often involves a major structural shift from a functional to a divisional structure. Because the structures are radically different, incremental change over is often not a realistic possibility. Same is the case with acquisition, merger and shut down as large scale additions or subtractions also preclude incrementalist approach.

Industry Re-organization

An organization may be adjusting appropriately with an industrial structure but what if that structure itself may be altered dramatically. For example deregulation or nationalization, opening of borders and signing trade liberalization treaties like WTO are few examples of introducing discontinuity in industry environment

Major Technological Breakthroughs

Organizations might have invested too much in current technology while major new technology break through occurs; which may dramatically change production costs. This creates problems for old org with older technology while creating potential for new investors e.g. mini-mills in the steel industry

Managerial implications (Managing Radical Organization Transformation by Francis & Bessant)

Transformation means profound fundamental changes in thought and an action, which creates an irreversible discontinuity in the experience of a system in multiple dimensions of organization's strategy, structure, culture and work processes.

Here three key variables are:

1. Thought and actions
2. Irreversible discontinuity
3. Multiple dimensions

Several factors create a transformational imperative. Of these the most ubiquitous is technical change. Many but not all, organizations create value in ways that are defined through the exploitation of technologies. Firms founded to exploit specific technologies are especially vulnerable when there are discontinuous changes in the prevailing scientific paradigm, dominant technologies or other factors that radically change the economics of the business. The principal reason for this vulnerability is that the prevailing core values, routines, strategies, cultural imperatives and asset endowment were built on a

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business model that has become competitively inferior, reactionary or obsolete. When this happens, a firm's traditional competitive advantage ebbs away, but is, generally not lost overnight. In this condition firms face a multi faceted strategic dilemma. A radical transition is required but firms can fail to recognize the urgency of the challenge, lack understanding the scale of the destruction and reconstruction required, or not possess the skills to handle the "jump". Hence a transformational imperative presents particular problems for strategic managers.

Radical organizational transformation requires multiple changes. Strategies must be rewritten, organizational culture realigned around different values, processes re-worked and value chains re-designed. Managing transformation is confronting in the extreme for those who lead and manage organizations. Some studies of corporate transformation hold that cumulative, incremental additional capabilities need to be built progressively by firms in order to transform or rejuvenate themselves. The study of Francis and Bessant shows that firms needs to have a set of different, distinctive (and possibly temporary) new capabilities need to be acquired, generally from outside the firm and unleashed to make a radical transformation. They proposed an analytical framework that identified five key organizational and managerial competencies which are given as under:

The five organizational and managerial competencies are:

1. Recognize the challenge
2. Determine a transformational strategy
3. Require Extensive innovation
4. Manage Systemic change
5. Upgrade leadership process

Stage I: Recognize the challenge

Most organization faces strategic dilemmas in the sense that they are not in a state of readiness (or not in a mood) to go for change. These dilemmas are identified by the manager as "we are in a wrong place". This author has defined as that organization face "pre-action barriers" which are:

- Avoidance

People in the organizations especially top managers cannot move away from their tested ways of doing business as they do not believe that the world has changed. In other words this is a kind of success trap for individuals who are unable to differentiate environment and situations and believe that with same set of knowledge and skills they can counter each and every situation.

- Indecision

Even when the need for change is understood no one may know what the best strategic direction to follow is. This is the problem of too many options and alternative on one hand and the problem of leadership and decision making amongst competing and splintered leadership.

- Poverty

Firms may find themselves needing to undertake radical change at the same time as their financial results are poor. At the same time the cost of investment is very high especially in going for technology driven solutions. The other examples are licensing, maintenance, up gradation and training etc.

- Insularity

The individuals in power in the organization are those whose life experience has been in creating that which now has to be destroyed. High powered leadership (isolated from people) are least equipped to be the leaders of transformation

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- Inability

The management of major change programme or organizational transformation is a demanding task and relatively few leaders have the necessary prowess. It is unlikely that managers who have spent years managing steady-state organizations will have the appropriate skills and values to lead transformational change.

Stage II: Determine a transformational strategy (TS)

For instance there are couples of generic TS, of which four have been identified here in the following subsections:

TS 1. Reconfigure the value stream

Reconfiguring the value stream involves making major changes in the positioning of the firm with in a web of suppliers, partners and/or down stream agents. For example, firms contemplating a value stream transformational strategy may be able to change, upgrade or develop their suppliers and do the same with downstream agents. They may be able to find new ways to meet supply needs or reposition themselves within the value stream with advantage. This may facilitate the organization to train, impart technology and even indoctrinate suppliers as per it needs. For example, Sun Micro systems developed an extensive partnering network for service support that extended their reach and enabled them to provide locally adapted services. Three key advantages are associated with re-configuration of the value stream. First, it enables activities to be undertaken at rock-bottom costs since lowest cost providers are selected (for so long as they remain the lowest cost provider). Second, a value stream can be constructed so that it is inherently agile – resources can be "switched-on", reconfigured or "switched-off" relatively easily thereby providing customers with what they value while not being locked-in maintaining costly assets. Finally, visibility of the value stream as a whole provides an opportunity to detect inefficient linkages and improve them – optimization take place at the level of the value stream

TS 2. Redefine the driving force of the business

Over a period of time organizations need to change their strategic orientation – must revise their strategic driving force, and innovate their mission. This can be changed, although the risks of adopting a new strategic driving force are high as the organization must abandon at least in part, what it knows and enter a domain of ignorance, uncertainty and discovery. In stable times organization an organization's routines are an asset as they encapsulate accumulated knowledge and eliminate the need for learning afresh in repeating situations. For example a company in one of the Scandinavian countries, back in 1865 was concerned with pulp and paper industry – after 100 years or so it entered telecommunications and since late1990s is the industry leader outmaneuvering other leading telecom players

TS 3. Reconstruct the competencies of the business

Competencies are underlying attributes that enables difficult things done in a reliably and economically. In other words now body else can do the way you do is known as strategic competence. Critical Success Factors (CSF) is an equivalent concept and is there in every industry. For instance, oil companies have a competence in finding oil by interpreting complex geological data to reduce the risk of drilling at wrong place. In Pharmaceutical industrial sector – spending on research and development (R&D) is a norm to discover new compound. One computer firm transformed itself from Memory Company to a Processor Company. Hence the development of new competence is essential given the perceived change in environment.

TS 4. Redefine the value proposition to the existing and /or new customers

Competitive strategies are about meeting sufficient numbers of customers' need better than others,

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managing costs and innovating, and thereby providing a profit margin. Firms that understand their existing customers well, and importantly, their potential customers, have an advantage. Intimacy with the customer provides a form of learning that can be applied to design of the product/ service offer. As such it is a factor of production as important as any tangible asset.

Many firms have a predisposition to know their customers well, at least at some point in their history. They spend time with them and are influenced by their needs and wants. However, a focus on existing customers can blinkers firm's decision makers since existing customers may not be lead users. Rather a commitment to study potential and/or lead user customers is needed. This establishes flows of insight that enable product and service development to take place with the whole potential market in mind, not the firm's current market.

This theme is central to Christensen's (1997) analysis of the "innovators dilemma" where the weak signals that indicate the emergence of new market opportunities, generally based on new technological capabilities, are unlikely to be picked up by concentrating on existing core customers. Exploring emerging opportunities spaces becomes a key strategy and requires the ability to maintain existing customer links and, simultaneously, develop new and, sometimes, radically different ones.

The challenges of an uncertain environment or turbulent environment are such that unless organizations change what they offer (product/service innovation) and the ways in which they create and deliver that offering (process innovation) there is a probability that their survival will be in doubt.

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IMPLEMENTATION: RADICAL OR TRANSFORMATIVE CHANGE (Continued)

In this lesson we will continue to discuss the leftover of Francis & Bessant model of managing radical change

Stage III: Competency required for extensive innovation

Most innovation takes place within an established envelope of possibilities, usually following some kind of "technological trajectory". When this occurs change is possible in small or large increments but the overall boundary conditions remain relatively stable. For example in their studies of bicycle, Roy and colleagues showed how the dominant design emerged in the mid-nineteenth century and remained the framework within which innovation took place for the next century. Countless innovations have taken place in terms of product modifications and process developments so that today's bicycle is smoother, safer, cheaper, available in different configurations to suit different users, etc. But all of this innovation has essentially been "doing what we do better" – the fundamental framework remains constant.

By contrast, the emergence of the float glass represented a radical shift to in the way in which flat glass had been made. For centuries the basic envelope within which product and process innovation took place was bounded by the principles of grinding and polishing to create the finished product. Pilkington's breakthrough innovation transformed the industry – and the fortunes of the company with them. This is an example of "do different" innovation that establishes a new dominant design – a new trajectory for the development and a new envelope within which product and process innovations can be explored.

The journey to become more successfully innovative is not easy to manage, especially in firms that are facing major discontinuities. Among the case companies that we studied, difficulties faced included:

- Failure of perception

Not recognizing the need to innovate. As mentioned above, this can arise through isolation from key environmental signals (typically a small firm problem) or from insulation caused by a corporate "mindset" associated with particular historical strengths – core competencies can become what Leonard Barton (1995) "core rigidities".

- Inappropriate innovation

Recognizing the need to change but responding in ways that have poor strategic fit with the business or divert from more important ends. Here firms may take changes but they cannot support them – for example the failure of EMI Body scanner is attributed at least in part to a lack of suitable experience or competence in manufacturing and marketing of complex high tech products. Another common problem is adoption of innovation as a result of following fashion rather than for clear strategic purposes.

- Episodic innovation

Recognizing the need but on occasional basis so that intensive innovation effort is followed by a period of inactivity. Here the problem is one of maintaining continuity and ensuring a steady stream of innovation rather than pursuing a blockbuster approach

- Emphasizing steady state innovation

Recognizing the need for and deploying innovation on a continuous basis but where product and process innovations are essentially "doing what we do better" rather than transformational in intent.

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Discontinuous innovation is qualitatively different from the improvement-oriented approaches illustrated earlier. These forms of innovation are likely to provide transformational change opportunities. According to this author, the differences between incremental and discontinuous innovations are in the following respects:

- Both the positive and/or negative impact of discontinuous innovation is greater.
- Generally, discontinuous innovation requires destruction of mind-sets and other assets.
- Discontinuous innovation requires entering into a psychological space with unknowns and uncertainties
- The risk element is high
- There are like to be many trials and tribulations
- Distinctive skills are needed

Stage IV: Competency to manage systematic change

Firms can be proactive with regard to discontinuities – they can seek actively to create them and, thereby, to "re-write the rules of the competitive game". Alternatively, they can be unresponsive, being surprised by emerging developments and not maintaining their position within the new strategic opportunity space. Our research indicates that, at a minimum, firms need to develop strategic orientations and routines to help them cope not only with "steady state" innovation, but also with discontinuity. Frequently, this requires change in multiple parts of organization – i.e. systematic change.

One of the key requirements seems to be a massive upgrading of an organization's capacity to be open to signals from the outside and be prepared to learn from "outside of the box". Consequently there is often tension between groups tasked with radical change. The solution may require the separation of the radical and steady state groups. New divisions and companies may need to be established or frustrated staff with entrepreneurial skills may leave to set up their own organizations to pursue their radical vision. Key routines are required for activities like scanning the environment for signals to trigger innovation, managing the implementations of projects, coordinating different knowledge sets, etc. The solution sought to this problem is either in the form of (Strategic Business Unit) SBU or in the concepts like corporate entrepreneurship.

Stage V: Competency to install leadership process.

Our research suggests that a key to managing a successful transition is to have the capacity to manage paradoxes. This requires a strength and subtlety of leadership that we consider to be comparatively rare. This suggests that leadership processes need to be capable of contextual adaptability and handling paradox.

Interestingly the ten paradoxes outlined below encapsulate "competing values" and can be characterized into "hard" and "soft", re-awaking the debates into the merits of androgyny as a guiding management philosophy. In brief, it seems that an organization's leaders need to be able to be both hard and soft, most importantly, to know when each stance is best at a moment in time. In periods of transformational change there is a need of attention, agility of mind and wise judgment.

As Slatter (1984) showed a common cause of corporate collapse is that the firm is led by a strong personality who does not listen to others. Our research suggests that a major risk in managing transitions is that "wrong people are chosen to lead.

The capacity to pursue apparently paradoxical principles, sometimes at the same time appears to especially important when sea-change is contemplated. Managers need to develop themselves, their processes and adopt values that promote prudent, radical change. Without the capacity to manage paradoxes a company in transition is in peril

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Research questions for further

- Are older organizations (type of Org) less likely to undergo radical change?
- Do they respond less quickly?
- Does the occurrence of fundamental change decrease the probability of organizational survival?
- Do the slower responses to environmental shift increase the likelihood of survival?

- I leave these questions with you to find their answers but answer these in critical tonality – in an analytical style instead of mere descriptive. Also try to seek application in the context of Pakistani organization, industry and or society.

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IMPLEMENTATION: PUNCTUATED EQUILIBRIUM MODEL

The Punctuated Equilibrium (PE) model presents the synthesized version of the two approaches on implementation of change. This is considered to be a comprehensive and integrated view of the two approaches studied earlier that was, incrementalism and radicalism. There are scholars who believe both approaches are complementary rather than conflicting, and the issue is not whether, but when to adopt incrementalist or transformational approach. These scholars are Greiner; Miller & Freisen, Tushman and they do not prescribe one desirable change type but suggest a model entailing lifecycle approach and dual feature of stability and turbulence. Hence the related concepts are Organization Life Cycle Theory, Greiner's model and Organization Learning.

Now the features of two earlier models or approaches are as:

Features of incremental change

Unidirectional
Continuous
Constant learning
Relevant at all or multiple levels of organizations
Converging &
Short term based

Features of Radical Change

Multi-directional
Discontinuous
Periodic learning
Relevant at upper echelon of organization (top-level)
Frame-breaking
Long term based

Therefore we need to synthesis both. Hence PE model contains features or attributes of both types. Earlier we have studied Greiner's model of metamorphosis. The model was developed by Tushman and Romanelli who argued that organization progresses through convergent periods punctuated by re-orientations which demark and set bearings for the next convergent period. Convergent periods are relatively long spans of incremental change and adaptation, whereas reorientations are relatively short periods of radical – discontinuous change. Change is theorized on five domains of organization activity:

- Culture
- Strategy
- Structure
- Power structure and
- Control system - together they all constitute to form strategic orientation

(Tushman & Romanelli)

Momentum

A relevant definition of concern is momentum which means for long periods of relatively stable, slow and predictable organizational interspersed with short and intense periods of massive changes in momentum within the organization.

To Miller and Freisen, long periods of the maintenance of a given configuration, punctuated by brief periods of multi faceted and concerted transition

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P-E model suggest four types of organizational change

1. Fine tunings – ongoing process of finding fit or matches between strategies, structure, people processes.
2. Incremental adjustment (Quinn's model)
3. Modular transformation – major re-alignment of one or more departments or divisions.
4. Corporate transformation – radical shift in strategy and rev changes in whole organization

The purpose of organizational change is to move from one state to the desired state in different ways – incremental and radical

Theory of P-E model

This model has following attributes to explain the phenomenon of organizational transformation:

- It enables predictions about patterns of fundamental organizational transformation
- The theory accounts for tension between the forces of stability and change
- Organizations establish an initial pattern of activity based on the environmental conditions prevailing and managerial decisions made during their time of founding.
- As a result of inertia and institutionalization organizations develop coherent systems of shared understandings that support continuation of the established patterns.
- Therefore according to P-E model radical and discontinuous change is necessary to break the inertia

With these attributes author of the article came forth with the following theorization:

Hypothesis 1: organizational transformation will most frequently occur in short, discontinuous bursts of change involving most or all key domains of organizational activity

PE theorists suggests the interdependence of organizational sub-units; and argue that organization must be constructed so as to ensure a complementary alignment among structural variables (buyers, suppliers, financial backers, pattern of culture, norms & ideology) as against the incremental view who emphasize the relative independence of organization subunits dealing incrementally and disjointedly with one problem and one goal at a time in short run reactionary manner

Hypothesis 2: Small changes in individual domains of organizational activity will not accumulate incrementally to yield a fundamental transformation

The question then is how to have an organizational transformation with PE theoretical perspective? PE theorists believe resistance to change or organizational inertia can be broken through revolutionary transformation means and conditions. Hypothesis Number 3, 4 and 5 talks about the triggers of organizational change

Hypothesis No 3: Major declines in the short term performance or sustained decline over several years will substantially increase the likely hood of revolutionary transformation.

Hypothesis 4: Major changes in environmental conditions will significantly increase the likelihood of revolutionary transformation

Hypothesis No 5: Installation of a new chief executive officer will significantly increase the likelihood of revolutionary transformation

Important question for us, how this type of change manifest in the real life? Or what are the indicators

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of transformational change in organizational dynamics? The fundamental organizational **transformation** occurred whenever there were substantial changes observed in the strategy, structure and **power** distribution domain of organizational activity (power distribution means – appointment, key **positions** and placements, hiring-firing, transfers). To what extent these variables are valid for change management in public or corporate sector organizations in **Pakistan**

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LESSON # 43

CHANGE IMPLEMENTATION: OD MODELS

Earlier we discussed three implementation approaches in our previous which were:

1. Logical Incrementalism
2. Transformational or Revolutionary Change
3. Punctuated Equilibrium Model

And now in this lesson at first we will be discussing Organization Development (OD) model and subsequently we will study the Burke-Litwin Model of Organizational Change.

Organization Development Model

In studying the change management, one might think of differentiating the two disciplines: OD and Change Management (CM). Apparently it seems both are relatively parallel to each other. It means that most of the things which we have covered in change management course are also be the subject matter of organizational development. So, then the question is: Is OD and CM are the same disciplines or there exist any kind of difference between them?

To answering this question, we need to have an in-depth knowledge about the evolution of both OD and CM disciplines. However in broader terms, we can say that OD deals with the internal dynamics of the organization which sometimes identified as 'Orgonomics.' From the post World War - II era until early 1980s, the OD discipline proved itself to be very successful amongst organizations' strategists, consultants and management practitioners. But it has lost its vigor, enormity and strengths from early 80s because of emerging changes and challenges external to organizations such as oil crisis and regional wars. In the wake of this Change Management has emerged as more comprehensive and profound discipline for dealing with intricacies of both internal and external environment.

Defining Organization Development

> OD is a planned and sustained effort to apply behavioral science for system improvement, using reflexive and self analytic methods.
>
> (Schmuck and Miles, 1971)

> OD is a process of planned change, change of an organization culture from one which avoids an examination of social processes – especially decision making, planning, and communication - to one which institutionalizes and legitimizes this examination.
>
> (Burke and Herrnstein, 1972)

In both the definitions, we have seen that the change restoration in an organization is a deliberate or planned process which requires appropriate scientific techniques and careful interplay among different variables such as strategy, structure, technology, and leadership for achieving sustainability, productivity, and innovation.

Historical Context of Organization Development

Here we need to discuss the historical context of change management thought itself which can help us in rediscovering and understanding the relevance of ideas and practices of the given discipline. This may give us insights, ideas, and the conceptual underpinnings of management theory and practice as well. In principles of management course we have already studied different theories and approaches to management which Koontz termed as, a 'management theory jungle'. This give us an idea to review the literature for change management as well, which could be worth studying for who are further interested

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in specializations in management disciplines. The review reveals significantly that change management theories ad practices are also bound and conditioned by time and space. For instance in today's context change management experts are now stressing on the revised version of OD which is based on empowerment paradigm, delegation, decentralization and participative decision making. The authority, line and communication system structure should be multi-dimensional, multi-directional and hybrid one which could have the ability to achieve the modern standards such as consultancy, information sharing, knowledge worker and knowledge management paradigm that have been revealed in modern researches. Because, it is now considered that effective management has to start with subordinates or at operational level. However, the same OD model, dates back to theorizing in early twentieth century, had been based on the assumptions that were exactly opposite to what we have today. Even Frederick W. Taylor, who is widely acknowledged as 'the father of scientific management', has been reviewed as the one who made the organization a rigid or sometimes a hegemonic body. In brief, Taylor's answer to the problem of productivity - the split in thinking between pay and profits - was a derivative of from the application of scientific methods, instead of custom and rule of thumb, carried only managerial solutions at that time, and which is increasingly looked at critically now a days.

Despite the inexactness and early hegemonic theorizing, the OD model had achieved the successful status in all over the world in post world war II era till the end of 1970s. But what happened after that? Organization strategists and theorists had observed that OD has certain limitations and hence unable to address certain aspects of the organizations. They also observed that it worked effectively for organizations in growth phase of business cycles and badly stagnated at late maturity stage of business cycles. At this point, OD as a discipline evolved to a new discipline 'Change Management' which has the ability to incorporate both internal and external environments effectively. And this evolution had changed the earlier established assumptions to the new ones such as empowerment, delegation, decentralization and participative decision making.

Second, this evolution also caused a revolutionary shift from underlying scientific approach to cultural approach in management. As Taylor believed that there is always one best way available to deal any particular thing and the operationalists also generally assumed that the fundamentals of management are universal in nature and application. Similarly, the scientific approach is also the working for universalization of any phenomenon across time and space. On the other hand, acceptance of such managerial principles like decentralization, delegation and participative will be nullifying the assumption that management is something thing which is universal. The concepts such as multiple-rationality, equi-finality and multiculturalism are also there to show the relevance and validity of the claim that management principles are culturally based. Therefore there could be multiple and many ways for doing something. This leads to the formation of management school which believes that there are distinct cultural ways of management in different organizations across various cultural entities.

Attributes of Organization Development model

From an OD framework, we have number of models highlighting multiple levels of complexities and depths, including Kurt Lewin model, and in general we have found some common attributes that exist almost in every recognized model. These are:

1. assumptions of planned change
2. a frame work to diagnose the problems
3. a cause and effect linkage for visualizing the domain of problems
4. supremacy of the process for rectification or feedback loop
5. predictability or causality

Burke Litwin Model of Organizational Change

Burke Litwin model is based on organizational performance and change by exploring the interplay between organizational functioning and organizational change. Change is depicted in terms of both process and content, with particular emphasis on transformational as compared with transactional factors. Transformational change occurs as a response to the external environment and directly affects

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organizational mission and strategy, the organization's leadership, aid culture, In turn; the transactional factors are affected by structure, systems, management practices, and climate. These transformational and transactional factors together affect motivation, which, in turn, affects performance. It can be applied to both individual and organisational performance. The model is given as under:

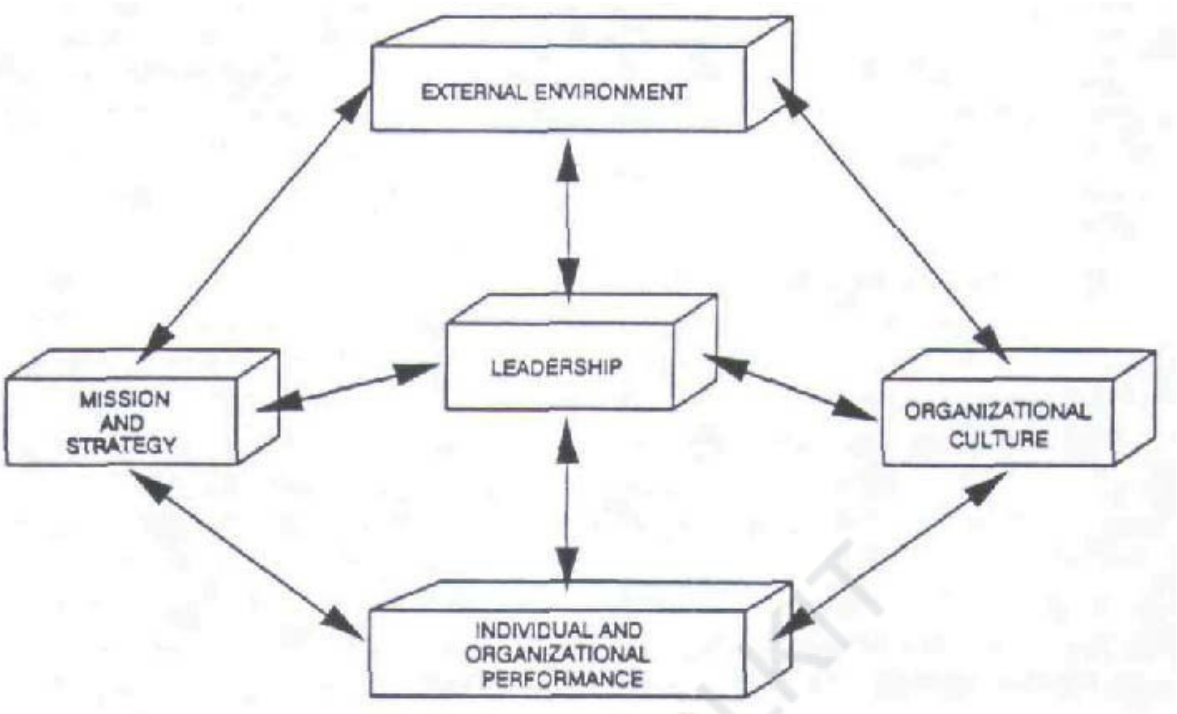

Figure 1

A Model of Organizational Performance and Change;
The Transformational Factors

Transformational and Transactional Dynamics

The model shows how to create first-order change and second-order change (this author calls as transactional change and transformational change). The concept of transformational change in organizations is suggested in the writings of such people as Bass (1985), Burke (1986), Burns (1978), McClelland (1975), and Tichy and Devanna (1986). The above figure 1 contains a display of the transformational variables – in the upper half of the model. By transformational we mean areas in which alteration is likely caused by interaction with environmental forces (from both within and without) and will require entirely new behavior sets from organizational members.

It is true, of course, that members can influence their organization's environment so that certain influence of the changes are minimized (e.g., lobbying activities, forming or being involved in trade associations and coalitions). The feedback loop, designed by authors, in the model is meant to reflect this kind of influence. Our point here is that for the most part organization change is initiated by forces from the organization's external environment, for examples changes in the competitive environment, government regulations and technological breakthroughs, and is quite decisive in influencing organizational change.

Figure 2 contains the transactional variables - the lower half of the model. By transactional the authors mean that the primary way of alteration is via relatively short-term reciprocity among people and groups. In other words, "You do this for me and I'll do that for you."

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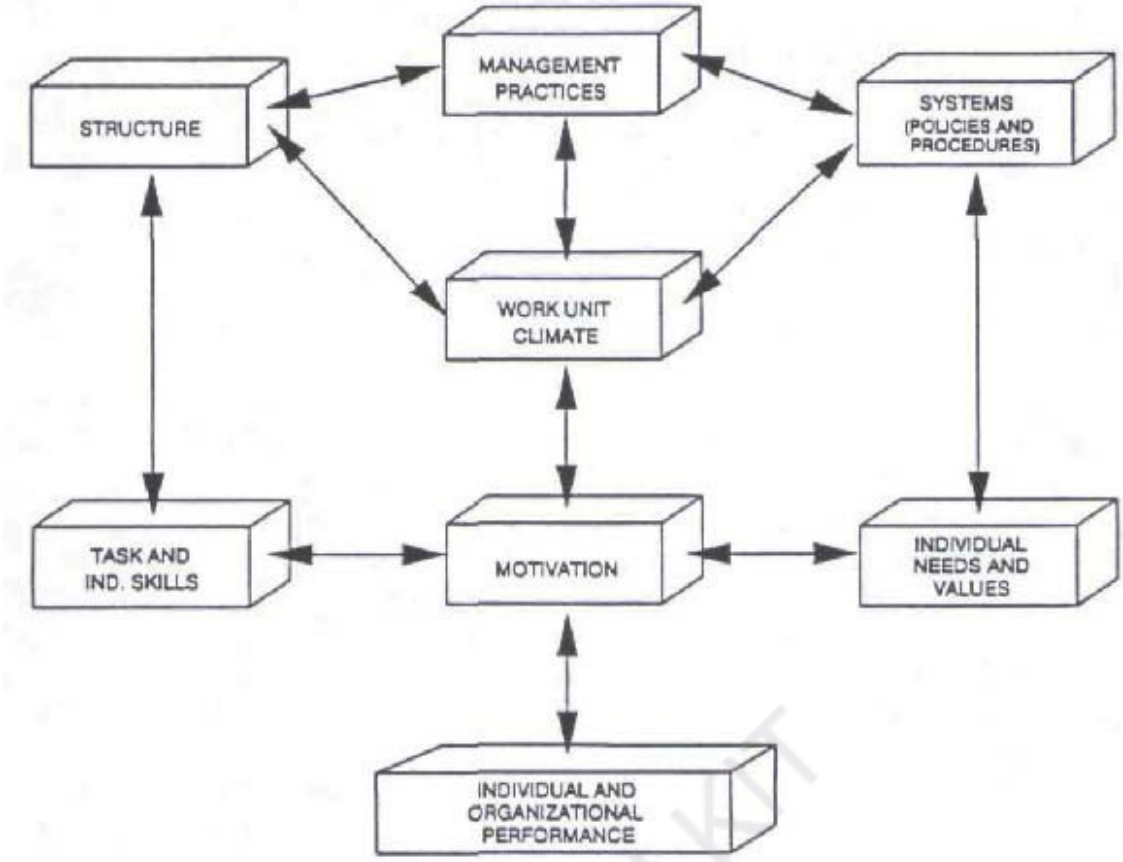

Figure 2
A Model of Organizational Performance and Change;

The Transactional Factors

Organizational Climate and Organizational Culture: This model also distinguishes between organisational climate and organisational culture. Organisational climate is defined as people's perception and attitude that strongly affected by organizational conditions (e.g., systems, structure, manager behaviour, etc). The resultant psychological state could be good or bad, friendly or unfriendly, hard-working or easy going. These perceptions are relatively easier to change because they are built on employees reaction to current organisational and managerial practices

The concept of culture, drawn from anthropology by authors, is meant to describe the relatively enduring set of values and norms that underlie a social system. These underlying values and norms may not be entirely available to one's consciousness. They are thought to describe a "meaning system" that allows members of that social system to attribute meanings and values to the variety of external and internal events that are experienced. Changing culture is much more difficult than changing climate.

When we describe culture as the underlying values and meaning systems of an organization, we describe those forces that create the dimensions of climate, those underlying ideas and images around which specific attitudes and behaviors cluster. Thus, when we attempt to alter the organizational culture, we change the climate framework (i.e. the gauge by which organizational members perceive their work climate). While, the day-to-day climate will be a result of transactions around such issues as:

1. Sense of direction: effect of mission's clarity or lack thereof.
2. Role and responsibility: effect of structure reinforced by manager practice.
3. Standards and commitment: effect of manager practice, reinforced by culture.
4. Fairness of rewards: effect of systems, reinforced by manager practice.

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5. Focus on customer versus internal pressures, standards of excellence: effect of culture, reinforced by other variables.

The Model

The total of 12 boxes represents the choice of organizational variables by the authors consider to be the most important ones. In addition, they also have attempted to account for key variables at a total system level, with such variables as mission, strategy, and culture, at a group or local work unit level (e.g., climate) and at an individual level (e.g., motivation, individual needs and values, and job-person match).

A change in one (or more) "box (es)" will eventually have an impact on the others. Moreover, if we could diagram the model such that the arrows would be more circular - the hologram idea - reality could be represented more accurately. Yet this is a causal model. For example, though culture and systems affect one another, we believe culture has a stronger influence on systems than vice versa. Kerr and Slocum {1987), for example, have provided data that suggest a strong linkage between corporate culture and the organization's reward system. They show how a company's reward system is a manifestation of its culture. They also point out that the organization's reward system can be used to help change the company's culture. Their data lend support to the linkage notion. We would simply take their evidence and suggest a step further by arguing that corporate culture (beliefs and values) determine the type of reward system an organization has. Yet we would strongly agree that to change culture the reward system should be used (i.e., to reward the behaviors that would reflect the new values - we might wish to incorporate).

For major organizational change to occur, the top transformational boxes represent the primary and significant levers for that change. Examples from our experience include the followings:

(a) An acquisition where the acquired organization's culture, leadership, and business strategy were dramatically different from the acquiring organization, even though both organizations were in the same industry, requiring yet a new merged organization to come about,

(b) A federal agency where the mission had been modified, the structure and leadership changed significantly, yet the culture remained that of the 1960s.

(c) A high-tech firm where leadership had recently changed and was perceived negatively, the strategy was unclear and internal politics had moved from minimal (before) to predominant (after). The hue and cry in this latter high-tech organization was something like, "we have no direction from our leaders and no culture to guide our behavior in the meantime." These examples represent transformational changes (i.e. the need for some fundamental shifts).

To summarize, the model shown in the above two figures attempts to portray the primary variables that need to be considered in any attempt to predict and explain the total behavioural output of an organization - the most important interactions between these variables, and how they affect change. Other related premises are:

1. Interventions directed toward structure, management practices, and systems (policies and procedures) result in first-order change;

2. Interventions directed toward mission and strategy, leadership and organisational culture result in second-order change.

The model also makes a distinction between the transaction and transformational leadership style. Transformational leaders – are the one who inspires followers to transcend their self-interest for the good of the organization and who are capable of having a profound and extra-ordinary effect on their

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followers. While transactional leaders guide their followers in the direction of established goals by clarifying role and task requirements.

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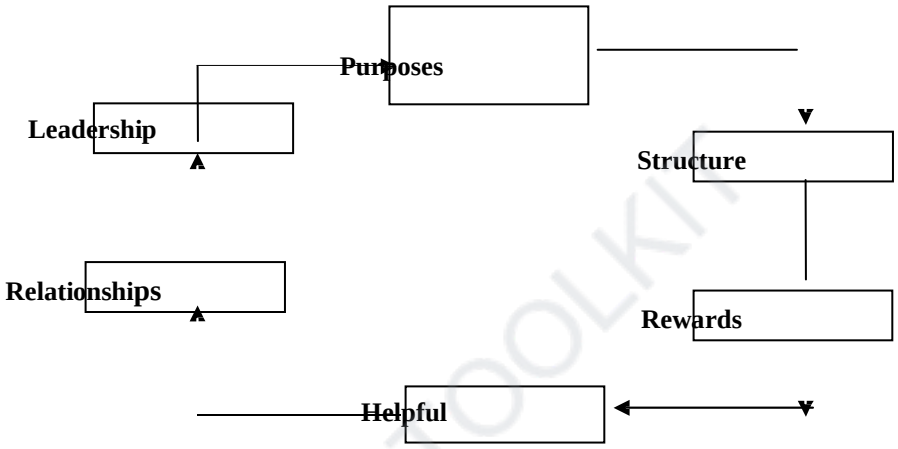
LESSON # 44

CULTURE, VALUES AND ORGANIZATIONAL CHANGE

In our earlier session, we had examined that Burke Litwin model and therein we had discussed the relationship between performance and change by exploring the interplay between organizational functioning and organizational desired goals. We also talked about first-order change or transactional change and compare it with second-order change or transformational change. We had also discussed that, only in OD framework we have large number of models for organizing and maintaining the organizations in today's complex business environment. Similarly in today's session, first we go for discussing a new 'Marvin Weisbord's Six-box Model' and then we go over to discuss Culture, Values and Organizational Change.

Marvin Weisbord's Six-Box Model

It is a diagnostic frame work, as to Burke Litwin model, often used for diagnosing organizational problems since 1976 when it published. This model, according to Weisbord, is based on following critical areas:



So far we have dealt with different variables in various sessions with greater detail and depth. The purpose of introducing variety is increasing our understanding. The purpose of introducing this model is to diversify the students' frame of mind with greater verity of tools for cognitive mapping and systematic examining the processes and activities in various models for identifying gray areas in organizations.

Organizational Culture, Values and Change Management Process

Why values are so much critical in understanding change formulation and execution? How managers, especially top managers are able to create the learning climate for the enterprise? Or the question is whether an organization can survive without an appropriate set of values? These are the questions over which a lot of research is going on since early stages of the evolution of modern management literature. For instance, Emile Durkheim (sociologist) worked on "values and norms", Henri Fayol's work on "social man" approach to management, Vilfredo Pareto's work on "social systems approach" and in the recent times Peter F. Drucker's work on "social environment." Therefore over the period of time, beside the scientific school of management we have seen a progress in the areas of values, norms, and in organizational culture particularly in the context of developed countries.

While dealing with values one should know that, values are not the universal phenomena. These have been varied across individuals, groups, organizations and, of course, across cultures. The value-driven organizations work out more carefully in programming, evaluating and executing the values as to form them into plan that permeates everyday decisions. Koontz defined the term "value" as:

> "A fairly permanent belief about what is appropriate and what is not that guides the actions and behavior of employees in fulfilling the organization's aims."

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Enz defined values as: "The beliefs held by an individual or group regarding means and ends."
Other scholars define values in various terms such as:

- in terms of 'beliefs'
- in terms of 'actions, symbols'
- and in terms of social behavior and norms

By dealing with all these definitions, we see that the source of all values is human mind that is based on perceptual construct or matrix which evolves over a period of time. This can be applied to multiple levels of analyses. Another scholar named Rokeach defined values at more generic level as:

> "Values work to provide systems of meaning and interpretation that filter environmental and intra-organizational signals."

Here in this definition we found that, values drive peoples towards sense making and therefore it is extremely normal that different people arrive or give different meanings to a single phenomenon. It is because, according to modern research context, every individual is unique or has unique capabilities and hence his value configuration and resource configuration are also unique. Therefore, according to Rokeach, values structure receives signals form intra-organizational and environmental levels, interpret them into new meanings or values, and then prioritize them.

Significance and Role of Values

> "Values underpin the way in which organizations are designed and operated – therefore values are embodied in organizations' structures and system – by implication we have to revise our values instead of revision in structures and systems."

The statement mentioned above shows that values are built in phenomena in organizations. Nothing is value free or valueless at any level of analysis. For instance, if an organization goes for introducing technology then this decision also reflects values of a manager such as: its belief on clean processes, efficient control and modernity. So, the imperative here is that, if organization seeks change then it not only needs revision in strategy, structure, or technology but needs a revision in values, norms, behaviors and ultimately attitudes. Most reforms failed in organizations because of their focus largely on visibles rather then on invisibles like values and cultural elements. For handling this situation, organizations needs effective training processes and transmission of new knowledge and values for changing thought patterns.

While dealing with values at environmental level we study the relationship between organizational values and the society. As Selznick, a well known figure about socio-technical system, noted this in 1949 that:

> "Organizations are social systems"

He believes that technological development has greater impact on social environment of a society and technological organization itself works in a society with some social entity. Therefore, organizational values can never be considered inalienable to its societal values. On the other hand, the traditional Western scientific management paradigm believed on such inalienability and indifference. For instance, Max Weber, a German intellectual, whose empirical analyses of church, government, the military, and business led him to the belief that organization should be clear about rules, definitions, tasks, and disciplines and employees should work in politically and socially neutral ways just like a machine. Therefore by this way, he assumes organizations will be more productive. This seems to have very little validity in the present times or organizations will be faced up with serious consequences.

At individual level, it is historically revealed that all humans are emotional beings. Then at organizational perspective this must also be true that managers and workers are also emotional

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beings. Now, recent literature suggests that managers are not only intelligence and emotional beings but also, one degree forward, are considered spiritual being in line with their value structure. And on the basis of this value structure, the degree of organization commitment is determined. Similarly, the organizations are also exhibiting some rationality in addition to profit maximization. If organization's values, norms, and rationalities must be compatible to the values, norms, and rationalities of a society then this will allow least interventions and regulations from government otherwise large interventions and regulations for organization. In management discipline, we can further discover this aspect as corporate social responsibility concepts where organizations are considered as corporate social citizens. In the contexts of both entrepreneurship and multinational corporations, the same level of value alignment is required between values of an entity and its society.

Short case

Suppose there are two subordinates; one is loyal but incompetent vs. another, who is professional but arrogant in behavior. The question then is as an HR manager which one would you wants to be promoted to the next higher management tier? No matter what ever is your decision, the fact remains that values compete in your behavioral choice or decision making process. Therefore, in this particular case what is important is to look is the fact that how you prioritize your values. Whether these are political or relationship oriented values that stay at the top in your preference as a decision maker or otherwise. And as such there exist a trade off between the two. Most of the time organizations have to face such a trade-off scenario like the one between task orientation or people orientation which comprises of participative decision making versus quality authoritative decision making.

Values Compete

Choosing an appropriate set of values is an art or a challenge for change management consultants, strategists and academicians because values most often are also competing with each other. A scholar, Quinn, who has been engineered this concept into a well-known paradigm entitled as Competing Value Framework (CVF). It is an assessment tool which enables the higher management to assess their current values and help to transform them into newly desired ones.

In organizations, we have different set of values which shapes the norms, conventions and cultures. Most often, the organizations would deal with different trade-off between various choices like between task culture and support culture, participative decision making and unilateral decision making, and between quality and quantity as we have seen in case study. Then this must be depend upon the priorities of the dominant culture that how can organization prioritize its values. For instance, we have a very well familiar approach to defining leadership styles is the Managerial Grid, where a manager having concern both for production and for people. Through this trade-off, it is easy for a manager to determine his compromised leadership style. Similarly in real life, there also exists number of trade-off scenarios among various values which compete with each other.

How these various kinds of trade-off scenarios could be resolved particularly in organization context? The answer lies to the establishment of a strong normative system which means a system which could have the ability to sense about good or bad. Without an effective normative system, organizations cannot move in the right direction. In short, values are part of a normative system which plays a decisive role in organizational decision making and communication. Unfortunately, we can observe that the normative system is in weakening or declining in this modern age. This is because the information which is coming from various channels is diffusing or blurring our view about good and bad. Therefore, we tend to have a degenerating normative system. Consequently, the successful organizations go for revisualization, restructuring, reorganizing of values known as cultural revitalization over a period of time.

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ORGANIZATIONAL VALUES, CULTURE AND ORGANIZATIONAL CHANGE

In the last session, we had discussed about the significance and role of organizational values and culture in change implementation process in organizations. Today, we will continue with our previous discussion and explore further critical aspects of change management context. And towards the end, I would like to share with you future trends and critical areas of research in change management discipline.

Organizational Values and Culture in Change Management Process

Change induced through strong coercive pressures or stiff control processes will lead only to superficial conformity. This will not be a durable and sustainable solution because as the pressure goes away (or become routinized) the relaxed organization will change to form an organization with values held within.

At first instance, this is considered a general tendency that human psyche always resist change. In the second instance, if people are not being allowed to involve in change process or coercive methods are being applied to molding them toward non-consented change by the higher command then this will create double plied consequence in change management and not will be long lasting. Therefore, people's consent must be required for long term solvency of change. The coercive model for behavior modification is the earliest model not only in the modern managerial thought and also in human history. In managerial thought, the most famous theory about the manipulation of nature of people has been expressed by Douglas McGregor in his book, "The Human side of Enterprise", and is known as "Theory X" and "Theory Y." For instance, Theory X assumed the nature of average peoples as they inherently dislikes the work and wish to avoid responsibility. Therefore, according to McGregor, those people must be coerced, controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives. While, the "hard" or X approach may produce resistance and antagonism. On the other hand the "soft" or Y approach may result in laissez-faire management.

Some scholars also believe that McGregor has apparently been misinterpreted. Both of his theories are not completely congruent with reality and these are only assumptions based on intuitive deductions rather than based on research. Furthermore, modern research revealed that different tasks and situations require a variety of approaches to management. John J. Morse and Jay W. Lorsch have found that different approaches are effective in different situations. Thus, the productive enterprise is one that fits the task requirements to the people and the particular situation. And the effective managers are those who recognize the dignity and capabilities, as well as the limitations of people and adjust their behaviors as demanded by the situation.

Values of elite – instead of non-elite are required for radical transformation. This type of transformation will not occur unless elite value structure is compatible with prescribed change plan. The forces for change can come from the individuals themselves (normally the organizational elite) in addition to the environment external to the firm or from within the organization. Therefore, the role of elite is the most decisive and critical in bringing change in organizations. Otherwise any dissent can bring a deadlock or a crisis like scenario in organizations. In case of radical or transformational change, the dilemma further gets intense. So, change process often revolves around the values of the powerful elites. For example, International Standard Organization (ISO-certification) unless the most powerful people at the top like owners, shareholders, or senior executives agree for the certification mere training and documentation is futile because elites have the authority, rigor and, what Kurt Lewin termed as driving force for implementing a qualitative change in organizations. Hence, members of organizations make strategies based on their choices (values). This view is closer to adaptationist approach instead of an environmental determinism.

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A value, as have already been defined, is a fairly permanent belief about what is appropriate and what is not that guides the actions and behavior of employees in fulfilling the organization's aims. Therefore, it is not something which is preordained or exists by default. It is an intrinsic and deliberate operating phenomenon which emerged on the basis of a choice, structured in a particular situation and delivered results. For instance, the philosophies of management studies or even in other social sciences are based on the assumption that values can be learned and practiced and behavior can be opted through values. This approach is commonly known adaptationist approach in learning philosophy.

On the other extreme, the learning behavior is dependent on deterministic approach which is flat and environmentally manipulated. Therefore, it is the environment which is decisive in creating change and where element of value choice is zero. However in today's dynamic socio-cultural business environment, managers in general do not accept orders blindly; they want to become active participants in defining objectives and in the decision making process. It is also important that any approach selected is dependent on one's worldview or perceptual criteria which have been developed over a period of time.

Value-formation process: Is it cognitive or social?

As we know that values can be thought of as forming an ideology that permeates everyday decisions. In this regard Vroom model suggest that everyone has a unique combination of valence, instrumentalities, and expectancies. Therefore, the individual acts on to gain and/or to keep values and value judgments as important cognitive and social determinants of behavior. The cognitive learning phenomena, at the first instance, depend on one's exposure, analytic and interpretive ability, and inferences. Secondly, the social learning phenomena depend on one's own around or environment and chances attributed to people rather on self.

The cognitive learning approach normally leads to an autocratic or dictatorial style in managing and leadership. While, social learning approach is for participative decision making and value sharing in organizations. In general practice, it has been found that there must be a balance required between the two approaches for effective learning and leading in different situations. Thus, the productive enterprise is the one that fits the best among both.

The values held by an individual are relatively permanent (Meglino & Rawlin)

In organization's context, culture means a general pattern of behavior, shared beliefs, and values that members have in common. Thus, it is impermanent or divisive phenomenon. Because it may be evident that people of an organization commonly share professional values instead of social or political values. Similarly, the value learning process in organizations is also very shortsighted and hyper in nature. Therefore, changing a culture from week to strong, as according to Koontz, may take a long time, even 5 to 10 years. In contrary to organizations, the values held by an individual are more permanent, influential, and more expressive. However, a clear vision and good role models can contribute much in making value permanence in organization.

Critical Research Areas in Change management

1. Change management in post colonial era
2. Feminism and change management
3. Post materialism and change management
4. Cultural school of change management

Issues in Change Management

1. Self vs. other (management vs. market)
2. Knowledge vs. organizing (learning and organizing: are the two antithetical to each other)

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3. Technology vs. Cultme
4. Sunk cost -cognitive and intellectual sunk cost not just in terms of capital investment.
5. Real world is political but still scientific management school is dominant.

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