

# Change

# Management and

# Organization

# Development



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# **CHANGE MANAGEMENT AND ORGANIZATION DEVELOPMENT**

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### **1. DEFINING ORGANIZATION**

In order to discuss the issue of change at the organizational level, we must first of all define the concept of organization. We will not place too much of an emphasis on this aspect, but merely try to offer an overall idea of the matter.

The paradigm we adhere to - concerning the definition of organization - is the systematic one: an organization is an open system (engaged in exchanges of matter, energy and information with the environment), of a biological type (it is „born”, it appears at a clearly defined moment in time, and progresses/regresses later on; it is able to adapt to the environment). More specifically, an organization is “a consciously coordinated social entity, with a relatively identifiable boundary, which functions on a relatively continuous basis to achieve a common goal or a set of goals”<sup>1</sup>.

In other words, a discussion on organization must necessarily begin by defining the term “system”. Ludwig von Bertalanffy was the first theoretician who formulated the principles of the general theory of systems, in 1950. According to his definition, a system is “a total of elements that

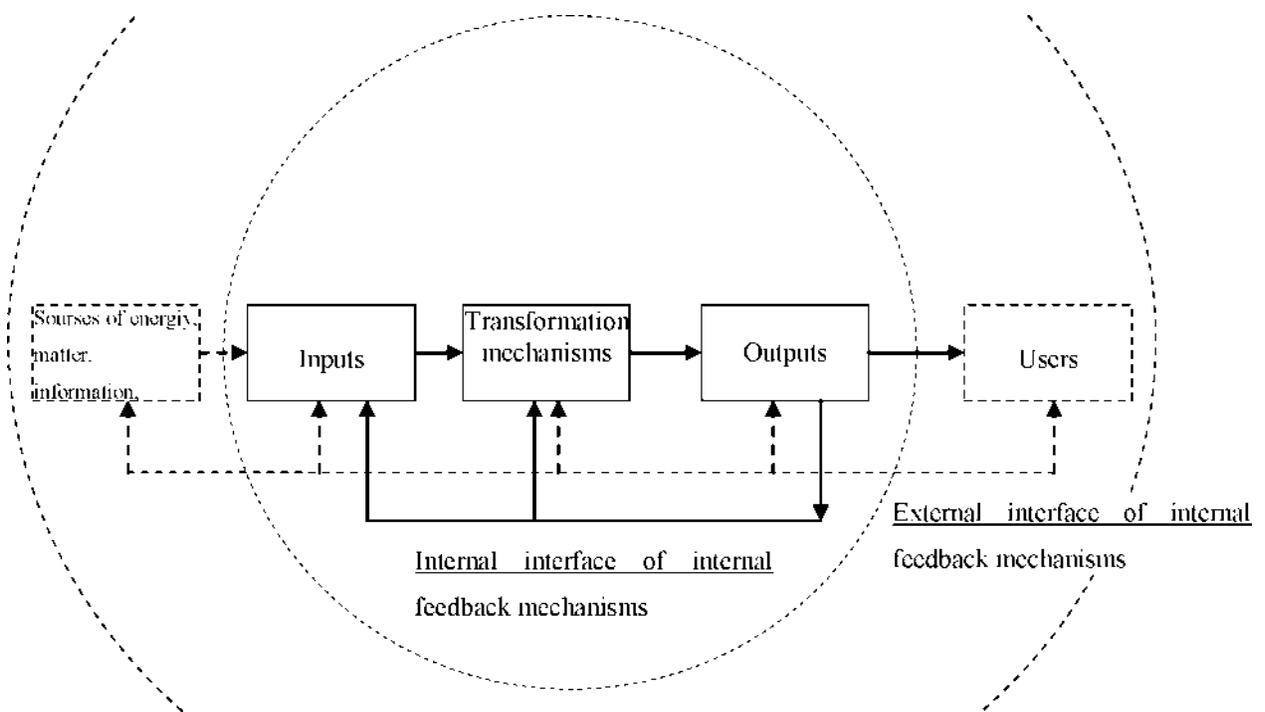
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<sup>1</sup> Robbins, P. Stephen- *Organization Theory*, decond edition, 1987, Prantice Hall Inc., Englewood Cliffs, New Jersey, p. 5.

are interacting” . Kast and Rosenzweig believe that a system is “an organized unitary whole composed of two or more interdependent parts, components, or subsystems and delineated by identifiable boundaries” . To sum up the diverse definitions offered for this notion, we may conclude that the concept of “system” indicates interdependence, interconnectedness, and interrelation between the elements of a set that is constituted as a whole or an identifiable gestalt<sup>2</sup>.

We will continue with a brief presentation of the main features of an open system, as seen by Katz, Kahn and Hanna.

All systems are mechanisms that transform input in output by way of an internal mechanism that differs from one system to another. The input represents energy, matter or information, and guarantees the system’s subsistence. The transformation mechanism refers to those specific activities of the organization which modify and convert the input into output (see graph 1).



<sup>2</sup> *ibidem*.

### Figure 1. A SYSTEM'S INTERACTION WITH ITS ENVIRONMENT<sup>3</sup>

Every system has identifiable boundaries that represent the interface between that system and its environment. These borders are permeable, but it must be noted that most changes and activities take place within them, not outside them. In other words, the system's activity is mostly internal, and its relations with the environment are a mere fraction of the processes and activities that undergo within it.

An open system has goals and objectives that indicate the reasons for which that particular entity exists and functions. These goals and objectives cannot exist irrespectively of the values and requirements of their environment. Certainly, each system manifests a certain degree of autonomy (that is different from one system to another, depending on its features, the type of environment, and on the system-environment relations), but will have an influence on the system's features in all cases, thus also influencing its purposes. For instance, the organization's outputs represent the most accurate reflection of its purposes, and these outputs may or may not be accepted by the environment.

Another significant aspect of this discussion is the fact that all systems are likely to increase their entropy, to "disintegrate". This generally valid tendency is kept under control by certain mechanisms and processes that produce "negative entropy"<sup>4</sup> and preserve the unity of the system.

Any organization, any system needs information in order to survive, in order to perform successfully. At this level of our approach, we will focus on feedback, that is, on information that the system receives from its environment regarding its activities. There are 2 types of feedback: positive and negative. The definitions that Hanna offers concerning these notions state that "negative feedback measures the extent to which the output corresponds to the goals and objectives set. It is also known as feedback for correcting deviation. (...) Positive feedback refers to the extent to which the goals and objectives correspond to the requirements of the environment. It is sometimes found under the name of feedback for  
"amplifying deviation" . For instance, if a rocket on its way to the moon deviates from the initial

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<sup>3</sup> French, Wendell and Bell, H. Cecil, jr.- *Organization Development*, 1999, Prantice Hall, New Jersey, p. 83.

<sup>4</sup> Robbins, P. Stephen- *Organization Theory*, second edition, 1987, Prentice Hall Inc., Englewood Cliffs, New Jersey p.13.

trajectory, the correction performed is the consequence of a negative feedback, and results in resuming the trajectory's correct coordinates. However, if the mission's goal changes (for example, if the rocket must return to Earth), the information is a positive feedback, and the system adapts to the new goal/objective.

Systems are continuously swarmed with very large amounts of information - of which a part is useful, and another useless to the corresponding systems. As a result, any system will develop an ability to "encode" the useful information and to include it in its activities, and at the same time, to ignore the useless data. For instance, if we were an organization of higher education, we would deem useful any information concerning the particular legislative context, the high-school final exam, birth rate, in-school mortality, etc. but not information related to external affairs or the weapon industry...

One other feature of the open system is the dynamic homeostasis. The system reaches a certain state of equilibrium and tends to maintain it, against the inner or outer forces that attempt to modify it. Otherwise said, we are dealing with the system's tendency to selfpreserve, to preserve its status-quo, its state of equilibrium (see Parsons's theory). Nevertheless, systems become in time more elaborate, specialized and complex; this process is entitled differentiation. The greater the difference is, the greater becomes the need to integrate and coordinate (that is, the need for leadership and management, in the case of organizations).

Finally, one last feature: equifinality. There is no one way of attaining a certain goal or a certain stage within a system. Any given system may reach the same position through various ways, identical from this point of view, different only in their modus operandi (or the cost/profit relationship, if we want to offer a managerial perspective)

The features of the open system can clarify a great deal of problems related to organizational change. Resistance to change may be explained by the systems' homeostatic nature, differentiation explains part of the organization's growth and propensity towards bureaucratization, even the "death" of organizations can be explained by its inability to create negative entropy. Obviously, all these explanations are but a framework for a deeper analysis, yet they offer an accurate enough description of the way in which an organization functions, so that they may be omitted within a theoretical procedure concerning change issues.

There are countless definitions of an organization (see table 1), but within the context of this work we may settle for the fact that any organization is an open system, capable of adapting to the environment.

Further on, we will present a few of the most well known points of view regarding the definition of organization:

1. Organizations are rational entities that pursue attaining certain goals - Organizations exist in order to reach goals, and the behavior of organization members may be described (and explained) as a rational attempt of reaching these goals.
2. Organizations are coalitions of groups of power - Organizations consist of groups that are only looking after their own interests. These groups use their power to bias the distribution of resources within the organization.
3. Organizations are open systems - Organizations are systems capable of input - which they later transform in output; in other words, organizations depend on their environment for survival.
4. Organizations are systems with a signifier - Organizations are entities created artificially. Their goals and objectives are conceived symbolically and preserved by management.
5. Organizations are fragmentary systems - Organizations consist of relatively independent units that pursue different or even conflicting goals.
6. Organizations are political systems - Organization consist of groups that pursue taking control over the decision process within the organization, in order to consolidate their own positions.
7. Organizations are instruments of dominance - Organizations place their members in “cubicles” that restrict their freedom to act and interact socially. Moreover, they have a superior that has authority over them.

8. Organizations are units of processing information - Organizations evaluate the environment, coordinate the activities and facilitate the decision-making procedure by processing information, both vertically as well as horizontally, by way of a hierarchical structure.
9. Organizations are mental prisons - Organizations impose limitations upon their members by creating the job-description, by dividing them into departments, offices etc. and by setting standards of acceptable and unacceptable behavior. Once these elements have been accepted by their members, they turn into artificial barriers that limit the number of their choices.
10. Organizations are social contracts - Organizations consist of a set of unwritten agreements by which members commit themselves to completing certain tasks and to behaving in a certain way, in exchange for certain compensations.

TABLE 1. DIFFERENT DEFINITIONS OF ORGANIZATION<sup>5</sup>

Now that we have analyzed the main features of organizations and briefly described some of the definitions found for organizations, we trust it is time to apply this knowledge to the field of organizational change. Therefore, we will continue with a short presentation of two of the main variations of the open system theory (OST): socio-technical systems theory (SST) and open system planning (OSP).

SST was developed by Eric Trist and Fred Emery at the Tavistock Institute in the 1950s. The basic premise is that all organizations are formed by two interdependent systems - a social one and a technological (or technical) one. Given their interdependence, any change in one of them brings about a change in the other one. In order to reach a high level of performance and satisfaction among employees at their workplace, both systems need to be maximized. SST is the theoretical basis for most of the attempts to restructure and redesign organizations that are currently part of any OD effort. Certainly, in order to maximize the two systems, a series of techniques and methods have been created: the construction of autonomous work groups; training of the employees in several

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<sup>5</sup> Robbins, P. Stephen- *Organization Theory*, ed. a doua, 1987, Prentice Hall Inc., Englewood Cliffs, New Jersey, p. 9.

areas, for development of several skills, extended autonomy at the workplace; offering activity-based feedback, etc. At present, the most successful organizations use these techniques based on the SST theoretical constructs.

OST origins date back in the late '60s. It is a theoretical approach that attempts to analyze methodically the connection between organization and environment, the environmental demands and the way in which they can be fulfilled by the organization. In other words, OST involves (1) scanning the environment in order to identify the demands of both the other organizations, as well as the customers; (2) generating alternative scenarios for the future, both realistic (what would happen if the organization maintained its current development course), as well as idealist (what the organization would want to happen), and (3) outlining action plans that may guarantee a desirable future for the organization.

Certainly, the two models described above do not exclude each other. Most of the time, a combination of the two is used (in specific OD interventions), and the emphasis is placed both on maximizing the internal activity flow, as well as on relating it to the environmental demands.

## **2. THEORIES ON ORGANIZATION CHANGE**

### **1. definition of organization change**

While the general concept of 'change' is defined as just "a new state of things, different from the old state of things"<sup>6</sup>, organizational change is more difficult to define. For a better understanding, the easiest approach is not trying to define it, but rather comparing it to other types of change. The name itself - 'organizational change' - already explains that we are talking about a change in the organizational activities, but this statement alone does not say much about the type of activities that are subject to change. By comparing operational change with organizational change, the first thing that one will notice is the fact that the former refers exclusively to individuals, with their roles and values, whereas the latter covers a much larger field, that is all the operational processes - of serving

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customers, of production, of logistics.<sup>7</sup> Besides these, organizational change also covers changes that appear in work processes (that may be understood as “a set of work tasks fulfilled in order to reach a clear purpose”<sup>8</sup>) and in their subsystems.

Furthermore, organizational change may also be defined as “a state of transition  
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between the current state and a future one, towards which the organization is directed” . Although this definition is closer to the definition of change in general, a certain difference, though subtle, is indeed visible. The origins of this definition are found in the thinking of Lewin (1947), who formulated the concept of movement between two discrete and somewhat permanent "states", related to organizational change, which means being in a state ‘I’ at a moment ‘I’, and in a state ‘II’ at a moment ‘II’. The suggested movement is linear and static

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as well as, according to some authors , unfit for the dynamic concept of organizational change, because it oversimplifies a highly complex process, but it is for this very reason that it offers an extremely direct possibility of planning the change actions.

In addition to the above mentioned processes, organizational change includes the real content of the change that comes about within these processes. Besides these two dimensions, the context in which organizational change arrives is equally important, as "in order to formulate the content of a strategy, one needs to control both the context in which it happens, as well as the process through which it takes place"<sup>9</sup>. Thus, strategic change becomes an interaction between ideas about the context, the process and the content of a change; the analyses that disregard this fact and see any organizational change as an individual fact, are in fact lacking an analysis of the form, the meaning and the substance of change<sup>10</sup>. Such a lack results in the fact that the area covered by the analyses of change becomes extremely narrow, and it distances itself from the dynamic and complete analysis that should be applied to change - ideally speaking.<sup>11</sup>

One other important element in the definition of change consists of the causes that determine the appearance of change, that mainly characterize the radical and paradigmatic change named

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<sup>7</sup> Salminen, 2000.

<sup>8</sup> Davenport and Short, 1990.

<sup>9</sup> Pettigrew, 1985.

<sup>10</sup> Ibidem.

<sup>11</sup> Pettigrew et al., 1992.

"change of the second degree" by Levy (1986).

To continue the idea of comparison presented above, organizational change (OC) may easily be compared to, or even considered as an innovation. The innovation may be defined as a technology, a product or a practice “used by the members of an organization for the first

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time, regardless of whether it has already been used by other organizations or not”, that is the use of an innovation is in itself an innovation. Irrespective of the truthfulness of this idea (as other authors make a clear distinction between an innovation and its implementation -

“the process of determining the appropriate and continuous use of an innovation by certain

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members of an organization” ), it applies to organizational change to the same extent. From this point of view, change may be interpreted as “a continuous process of preparation of the organization for the new system, as well as its introduction in such a way so as to insure its success”<sup>12</sup>, a definition influenced by changes occurred in the IT field.

As shown above, the final purpose of OC is success, which means is a better meshing between the organization and the environment, in which it evolves, as well as a more efficient and effective working method. The success of a change may be defined as the degree to which

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the change in question respects the following criteria:

- a. Reaches the goal for which it has been implemented;
- b. Does not exceed the deadline or the budget set for it;
- c. Leads to positive economic and operational results in a reasonable amount of time, results that outrun the costs of its implementation;
- d. Is perceived as a success by both inside members, as well as outside members of the organization.

We may, therefore, conclude that the success of OC depends on both the quality of the solution, as well as the effectiveness of its implementation, a fact which leads to three consequences:

(1) Effective implementation, the use of innovation or change (that are interchangeable in the given context) that improves the organization’s performance;

(2) Effective implementation, but the organization's performance is not affected in any way;

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(3) The implementation is not successful.

As shown above, change may have negative effects if the solutions given are either bad or inappropriate for the context, a fact which does nothing but reveal, once again, the lack of interdependence between the content and the process of change. This is the very point of view of the strategic studies school, based rather on content, and having as a premise for change the predefined state that must be implemented (MacIntosh and MacLean, 1999). The success criteria (a) and (b) presented above (of accordance with the goals, the deadline and the budget defined by Salminen (2000)) also concord with this point of view; nevertheless, as Salminen himself states, the issue that may rise is in fact that the goals and the budget could be defined inappropriately, in which case the implementation of change, even if it attains or exceeds its initial goals, will not succeed in improving the organization's performance. We may easily imagine the worst case scenario, in which implementation leads to impairment of performance. In this case, or if the solutions given are either poorly defined or completely inappropriate for the demands, the implementation may still be successful, provided the solutions are replaced or bettered, or, in the worst case, if the change is given up altogether. Thus, OC must promote a strategy for the organization's evolution, which will obviously have to be dynamic, not constant.

## 1. TYPES OF ORGANIZATION CHANGE

OC may be categorized in many ways. The most comprehensive of them is the one that describes change depending on three main dimensions: *origin*, *result* and *process of change*. In what follows, we will deal with these three concepts.

The origin of change (introduced as dimension by Nadler and Tushman, 1989) has to do with the way in which change appears in an organizations - from the environment in which the organization functions, or by the latter's initiative. That means we may speak of both *unintentional* changes, those that just happen, as well as of *intentional* or *deliberate* changes -

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actions taken by the organization. Certainly, the line between them is not drawn as clearly in real

life, as even intentional changes may be influenced by an event outside the organization. Another classification is possible, one according to the way that change relates to external key-events, in *reactive* changes (changes initiated as reaction to an event or a series of events)

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and *anticipatory changes* (as the name shows, they are initiated in anticipation of events) .

On the other hand, the result of change is tightly connected to the definitions described above. The

most popular way to classify organization changes is according to how radical a change it appears to be (Dunphy and Stace, 1988; Nadler and Tushman, 1989; Gersick, 1991).

The concept of „radical change” and others alike are listed in the table below.

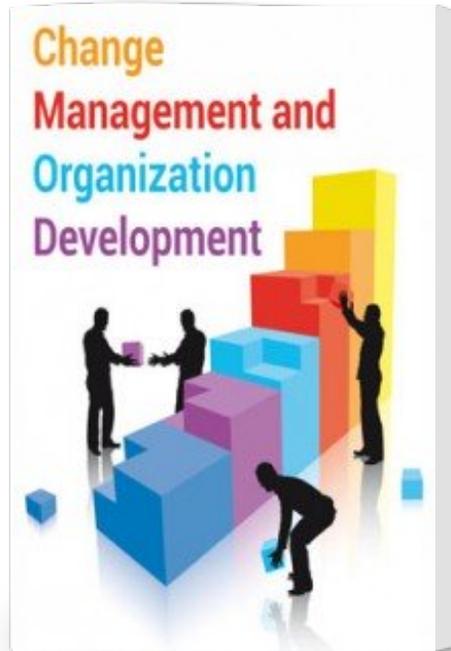
	Classification	Main difference
Gersick, 1991	<ul style="list-style-type: none"> <li>• Gradual change</li> <li>• Revolutionary change</li> </ul>	<ul style="list-style-type: none"> <li>• Supports prime structure or current order</li> <li>• Destroys and replaces current structure and order</li> </ul>
Dunphy and Stace, 1988	<ul style="list-style-type: none"> <li>• Incremental (evolutionary) change</li> <li>• Transformational (revolutionary) change</li> </ul>	<ul style="list-style-type: none"> <li>• Is continuous, at a small scale</li> <li>• Has no continuity, at large scale</li> </ul>
Levy, 1986	<ul style="list-style-type: none"> <li>• Change of the 1<sup>st</sup> degree</li> <li>• Change of the 2<sup>nd</sup> degree</li> </ul>	<ul style="list-style-type: none"> <li>• Change in the system’s basic rules</li> <li>• Paradigmatic change that changes the system’s meta-rules (rules of rules)</li> </ul>
Tushman et al., 1986	<ul style="list-style-type: none"> <li>• Convergent change</li> <li>• Frame changing (transformational) change</li> </ul>	<ul style="list-style-type: none"> <li>• Compatible with the existing organizational structure</li> <li>• At system level, a simultaneous change in strategy, power, structure and control</li> </ul>
Fiol and Lyles, 1985- Organizational learning	<ul style="list-style-type: none"> <li>• Low level learning</li> <li>• Higher level learning</li> </ul>	<ul style="list-style-type: none"> <li>• Behavioral change within the organizational structure</li> <li>• Cognitive change that adjusts general rules and norms</li> </ul>
Miller & Friesen, 1984	<ul style="list-style-type: none"> <li>• Evolutionary (incremental)</li> <li>• Revolutionary (dramatic)</li> </ul>	<ul style="list-style-type: none"> <li>• Low number of changes, one at a time</li> <li>• Increased number of extreme changes</li> </ul>
Greiner, 1972- organization’s life span	<ul style="list-style-type: none"> <li>• Evolution</li> <li>• Revolution</li> </ul>	<ul style="list-style-type: none"> <li>• Uses dominant type of management to obtain stable growth</li> <li>• Due to a problem, it creates a new management style to insure continuance of growth</li> </ul>

TABLE 2. DIFFERENT TYPES OF ORGANIZATIONAL CHANGES

As shown in the table, not all authors have the same way of understanding the main difference between types of changes. Below, we will describe a model in which the organization

and its subsystems can be altered in such a way as to either simultaneously change, as the change to affect only one of them, with a minimum effect upon the others.

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