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ORGANIZATIONAL BEHAVIOR: ADVANCES IN ORGANIZATIONAL CHANGE AND LEARNING

Distance study support

Rainer Born

MASARYKOVA
UNIVERZITA

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Expert review: Univ.-Prof. Dr. Johannes Lehner

Study Plan

Brief description of the course

The course Organizational Behaviour – Advances in Organizational Change and Learning aims at discussing current topics in the field of organizational change and learning. The course builds upon the basic knowledge in the field of organizational behaviour. After completing the course, students are able to contribute to the theoretical discussion in the field and to derive practical insights for their business career as leaders, consultants, and trainers. In particular, they gain knowledge to analyze, to design, and to govern learning processes and change in organizations to achieve strategic objectives.

Schedule

Time load

Table 1: Organizational behavior

Form of load	Number of repetitions	Hours / repetitions	Overall
Preparation for lectures	3	12	36
Lectures and tutorials	3	4	12
Elaboration of a POT[1]	2	20	40
Self-study and preparation for the exam (continuously)	1	115	115
Total study load			**203**

[1] POT – work corrected by a tutor

Schedule

Activity	Brief description	Time required	Term
Block 1	INTRODUCTION, COURSE REQUIREMENTS Before starting the first tutorial, please review the topic below, which will be discussed at the seminar in the form of discussions, tutorials, workshops, simulation games, practical examples. • The concept of strategy • Analyzing resources and capabilities • Managing change: A process of perspective • Recognizing the need for change and starting the change proces • Diagnosing what needs to be changed • Patching: Restitching business portfolios	4 hours	Before the first tutorial
Block 2	PRE-ASSIGNMENT TASKS Before starting the second tutorial, please review the topic below, which will be discussed at the seminar in the form of discussions, tutorials, workshops, simulation games, practical examples. • Strategy as simple rules • The role of leadership in change management • Communicating change • Motivating others to change • Supporting others through change • Implementing change	4 hours	Before the second tutorial
Block 3	PRE-ASSIGNMENT TASKS Before starting the third tutorial, please review the topics below, which will be discussed at the seminar in the form of discussions, tutorials, workshops, simulation games, practical examples. • Reviewing and keeping the change on track • Making change stick • Spreading change • Speeding up team learning • Resistance to change • Changing Collective Cognition: A Process Model for Strategic Change	4 hours	Before the third tutorial

Mode of study

Teaching metods

lectures; individual preparation: studying, analyzing, synthesing, interpreting and reflecting scientific literature; presentations; group discussions, written exam

Literature to study

- Grant, R. M. (2016). *Contemporary strategy analysis: Text and cases edition*. John Wiley & Sons. ISBN: 978-1-119-12084-1
- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

- Eisenhardt, K. M., & Brown, S. L. (1999). Patching. Restitching business portfolios in dynamic markets. *Harvard business review*, *77*(3), 72–82.
- Eisenhardt, K. M., & Sull, D. N. (2001). Strategy as simple rules. *Harvard business review*, *79*(1), 106–119.
- Pisano, G. (2001). Speeding up team learning. *Harvard business review*, *79*, 125–134.
- Ford, J. D., Ford, L. W., & D'Amelio, A. (2008). Resistance to change: The rest of the story. *Academy of management Review*, *33*(2), 362–377.
- Mezias, J., Grinyer, P., & Guth, W. D. (2001). Changing collective cognition: a process model for strategic change. *Long Range Planning*, *34*(1), 71–95.

Instruction to work with study texts

Detailed information about the course MKH_ORBE is available on the title page and in the detailed syllabus of the course.

Ending the course

Evaluation methods:

1. Seminar work (accepted – not accepted) – elaboration of an essay, a traditional literature review or an empirical study on given topic
2. Final test with a response time of 90 minutes

Table of Contents

Introduction

This document is the distance learning support tool (Distanční studijní opora, DSO) of the course *Organizational Behavior – Advances in Organizational Change and Learning.* The DSO is intended to serve as a basic textbook for students of distance learning forms. As such, it responds to the needs of such students on a methodological level, by setting partial objectives of individual chapters, their time requirements, summaries of the chapters, and questions intended to incite reflection on the text. Additional illustrative examples are covered during tutorials.

The DSO contains knowledge from the field of organizational behavior, contained in the books Grant, Robert M. (2010). *Contemporary Strategy Analysis*. 8th Edition, Wiley, and Hayes, John (2014). *The Theory and Practice of Change Management*. 4th Edition. 2014. This knowledge is further deepened and elaborated upon with scientific articles related to the field.

The goal of the DSO is to provide students with the minimum of knowledge required for further relatively independent work with scientific literature in the field of organizational behavior, specifically organizational change and learning. It provides students with guidance toward relevant and contemporary sources that may deepen their knowledge of the subject. It is thus assumed that students will make use of this guidance and work with the relevant literature in addition to the DSO, at least to the extent of reading the mandatory and recommended literature for the course. Nevertheless, the DSO and the course attempt to cover the topics of organizational change and learning as completely as possible by focusing on the practical side of the many various processes and problems related to these topics. As such, the DSO is highly specific, focusing first on the concept of strategy, then proceeding to cover the topic of organizational change.

1 The concept of strategy

Learning Objectives

Strategy is the basis for success. This chapter explains the importance of the organization's and individual's strategy for success. Strategy is a unifying theme that gives coherence and direction to actions and decisions of an individual or organization. The main goal of this chapter is to introduce a basic framework for strategy analysis. The chapter deals with two basic components of strategy analysis: analysis of the external environment of the firm and analysis of the internal environment.

The chapter is based on the book by Robert Grant (2014) *Contemporary strategy analysis: Text and cases edition.* 4th Edition. Wiley. To acquire the necessary knowledge and skills, reading the book above is recommended.

Time load

6 hours

1.1 What is strategy?

Strategy is the means by which companies or organizations achieve their set goals. Strategy is geared towards achieving the objectives set, involves the allocation of resources, requires a certain level of coherence, integration in decision areas and actions. Alfred Chandler (1962) defines strategy as the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. According to Richard Rumelt (2011: 6), strategy is „a cohesive response to an important challenge."

Over the last fifty years, the concept of a firm strategy has changed significantly. Strategy has become less focused on detailed plans over time because the business environment is increasingly unstable and unpredictable. The flexibility of the strategy depends on the environment. The more turbulent the environment, the more must strategy embrace flexibility and responsiveness. In these conditions, strategy becomes more important (Grant, 2016).

1.2 Why Do Firms Need Strategy?

Having a strategy helps with effectively managing your organization by improving decision-making, facilitating coordination and focusing your organization on long-term goals.

Strategy as Decision Support

Strategy is a pattern or theme that helps guide organizational and individual decision-making. Why can't individuals or organizations make optimal decisions? The defeat of Garry Kasparov by IBM's "Deep Blue" computer in 1997 provides a demonstration of how people are restricted to bounded rationality and how their decisions are subject to certain cognitive limitations (Kasparov, 2005; Simon, 1955).

Strategy as a Coordinating Device

The central challenge of management is the coordination of different units and members of an organization. Strategy helps with coordination by acting as a means of communication. Statements of strategy enable the CEO to communicate the organization's identity, goals, and positioning across the organization. The strategic planning process can be viewed as a forum in which different perspectives and ideas are considered and a consensus develops. The formulated strategy can be translated into goals, commitments, and performance targets that ensure that the organization moves forward in a consistent direction (Grant, 2016).

1.3 From Corporate Planning to Strategic Management

The practical business needs influenced the development of business strategy. During the 1950s and 1960s leaders had to face increasing difficulty in coordinating decisions and maintaining control in companies. The problem was that firms lacked systematic approaches to their long-term development. For this reason, corporate planning has been developed. Macroeconomic forecasts served as a basis for new corporate planning. Five-year corporate planning documents set goals and objectives forecasted key economic trends, established priorities for different products and business areas of the firm, and allocated capital expenditures (Grant, 2016).

During the 1970s and early 1980s, confidence in corporate planning has declined. The reasons were that diversification did not achieve the required synergies, oil shocks caused macroeconomic instability and international competition increased. These facts resulted in the inability of companies to plan their investments and resources three to five years ahead, because they couldn't forecast that far ahead (Grant, 2016).

During the 1990s, strategy analysis shifted from the sources of profit in the external environment to the sources of profit within the firm. The resources and capabilities of the company were considered to be the main source of competitive advantage and the primary basis for strategy formulation. Emphasis was placed on finding attractive industries and market leadership, which had a significant impact on strategy development (Grant, 1999; Collis & Montgomery, 1995).

During the 21st century, new challenges have continued to shape the principles and practice of strategy. A huge shake-up of the dynamics of competition in many industrial sectors was caused by digital technology. Digital technology creating winner-take-all markets and standards wars (Lee *et al.*, 2006; Shapiro & Varian, 1998). Disruptive technologies and accelerating rates of change have caused strategy to become less about plans and more about creating options for the future, fostering strategic innovation, and seeking the “blue oceans” of uncontested market space (Christensen, 1997; Williamson, 1999; Markides, 1998; Kim & Mauborgne, 1999).

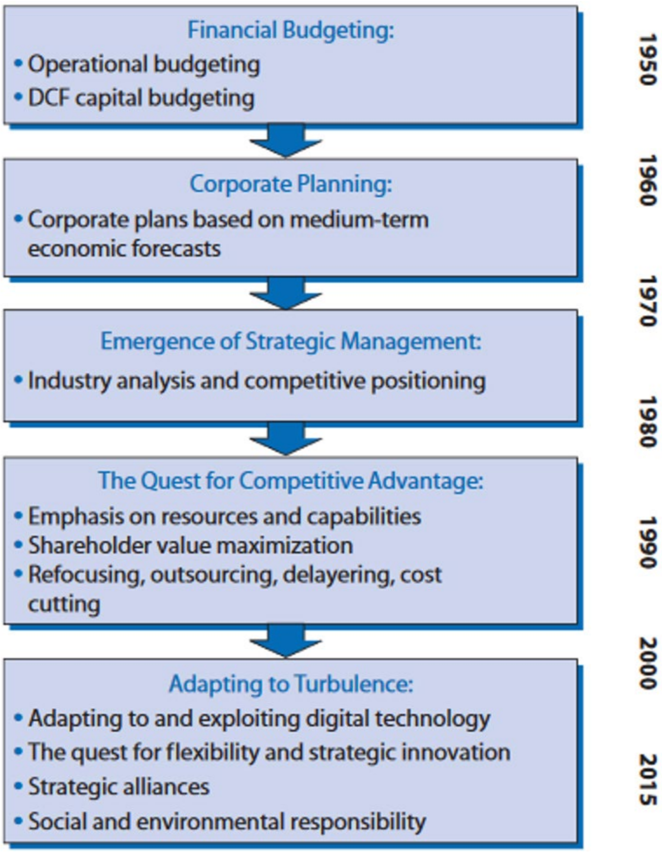
The 2008–2009 financial crisis caused another change in thinking about strategy and the purpose of business. Disillusion with the excesses and unfairness of market capitalism has renewed interest in corporate social responsibility, ethics, sustainability, and the role of legitimacy in long-term corporate success (Koehn, 2013).

Strategy as Target

Strategy is forward looking, meaning that it establishes how the company competes presently, but also what the company will become in the future. Forward-looking strategy establishes a direction for the firm’s development and sets ambitions that can motivate and inspire members of the organization. Striving, inspirational goals are found in most organizations’ statements of vision and mission. Hamel & Prahalad (1989) use the term strategic intent to describe this desired strategic position. Top management challenges the organization to close the gap by building new competitive advantages. Strategy should be more about stretch and resource leverage (Hamel & Prahalad, 1993).

Jim Collins & Jerry Porras (1995) make a similar point: US companies that have been sector leaders for 50 years or more—Merck, Walt Disney, 3M, IBM, and Ford—have all generated commitment and drive through setting “Big, Hairy, Ambitious Goals.”

Picture 1: Evolution of strategic management



Source: Grant (2016: 15)

1.4 Where Do We Find Strategy?

A company's strategy can be found in three places: in the heads of managers, in their articulations of strategy in speeches and written documents, and in the decisions through which strategy is enacted. Strategy has its origins in the thought processes of entrepreneurs and senior managers. The starting point of the strategy is the idea of the kind of business. In the case of small companies, strategy usually remains in the hands and minds of senior managers. Large companies need an explicit statement about strategy that can be found in board minutes and strategic planning documents. These documents are confidential. It is important for most companies to communicate their strategy with employees, customers, investors and business partners (Grant, 2016).

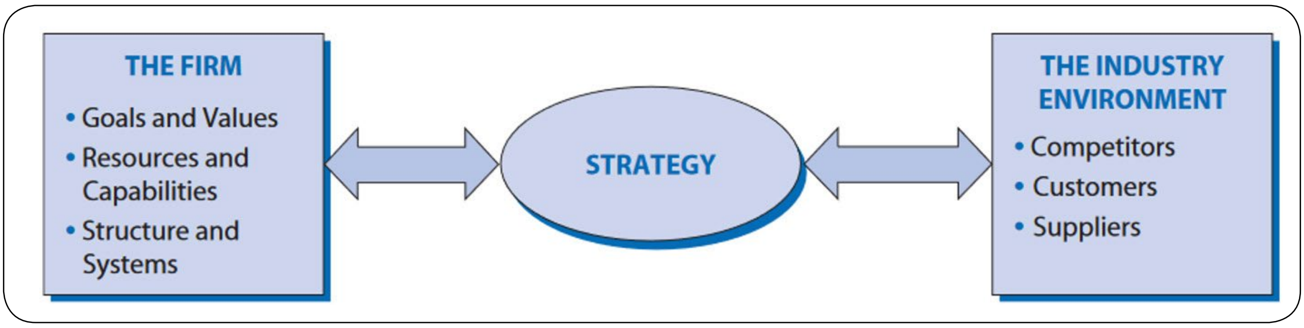
Collis & Rukstad (2008) identify four types of statements which companies use to communicate their strategies:

- Mission Statement.
- Statement of values (principles).
- Vision Statement.
- Strategy Statement.

These statements can be found on the corporate pages of companies' websites or in a company's annual reports.

1.5 Basic Framework for Strategy Analysis

Picture 2: The basic framework: Strategy as a link between the firm and its environment



Source: Grant (2016: 10)

Picture 2 shows the basic framework for strategy analysis. The firm embodies goals and values ("simple, consistent, long-term goals"), resources and capabilities ("objective appraisal of resources"), structure and system ("effective implementation"). The industry environment is defined by the firm's relationship with customers, competitors and suppliers, and embodies "profound understanding of the competitive environment." This strategy framework is closely related to the widely used SWOT framework. The task of business strategy is to determine how the firm use its resources in its environment to fulfill its long-term goals (Grant, 2016).

1.6 Corporate and Business Strategy

Corporate strategy defines the markets and industries in which the firm wishes to compete. It is concerned with vertical integration, diversification, new ventures, acquisitions and the allocation of resources between the different businesses of the firm (Grant, 2016).

Business strategy determines the way in which the firm competes within a certain industry or market. It is thus highly focused on defining and establishing a competitive advantage over market rivals, so that the firm can prosper within an industry (Grant, 2016).

The distinction between corporate strategy and business strategy is reflected in the organizational structures of most large companies. Top management is usually in charge of corporate strategy, whereas managers of subsidiaries or divisions oversee business strategy. The difference is also in the way of generating profits.

1.7 Strategic Fit

The notion of strategic fit embodies the fundamental view of strategy as a link between the firm and its external environment. Strategic fit is about the consitency of a firm's strategy with the firm's internal and external environment. In particular, these are goals, values, resources and capabilities. Strategies lacking consistency with internal or external environments are often the reason for the decline and failure of some companies. For example, Nokia has not taken into account the change in its external environment (growing consumer demand for smartphones) in its strategy and its shares lost 90% of their value in four years. Some companies struggle to align their strategies to their internal resources and capabilities. The important concept of strategic fit represents the internal consistency among the different elements of a firm's strategy. Effective strategies must be functional, individual decision must be unified for the purpose of creating a consistent strategic position and direction of development (Ansoff, 1957).

The concept of strategic fit represents one component of a set of ideas known as contingency theory. According to contingency theory, there is no single best way of organizing and managing. The way of designing, managing, and leading an organization depends on the circumstances, especially on the characteristics of the organization's environment (Drazin & Van de Ven, 1985).

Emphasis has gradually shifted from planning to strategy making. This is the transition from corporate planning to strategic management. Strategic management's attention was focused on business environment and on performance maximalization as the primary goal of strategy. Attention was paid to sources of profitability. At this time, attention was focused on the competitive environment of the company (*e.g.* Michael Porter, 1980).

1.8 Design versus Emergence

Henry Mintzberg is a leading critic of rational approaches to strategy design. Mintzberg distinguishes three types of strategies:

- Intended
- Emergent
- Realized

Intended strategy is a strategy conceived by the leader or top management. Intended strategy may be the result of negotiation, bargaining, and compromise among the many individuals and groups involved in the strategy-making process. The problem is that the intended strategy is only partially implemented (Mintzberg suggests only 10–30% of intended strategy is realized). The strategy that is really implemented is called **realized strategy.** The primary determinant of strategy that is truly implemented is the called **emergent** strategy. It is a result of the various ways in which managers interpret the intended strategy while adapting to changes in their environments (Mintzberg & Waters, 1985).

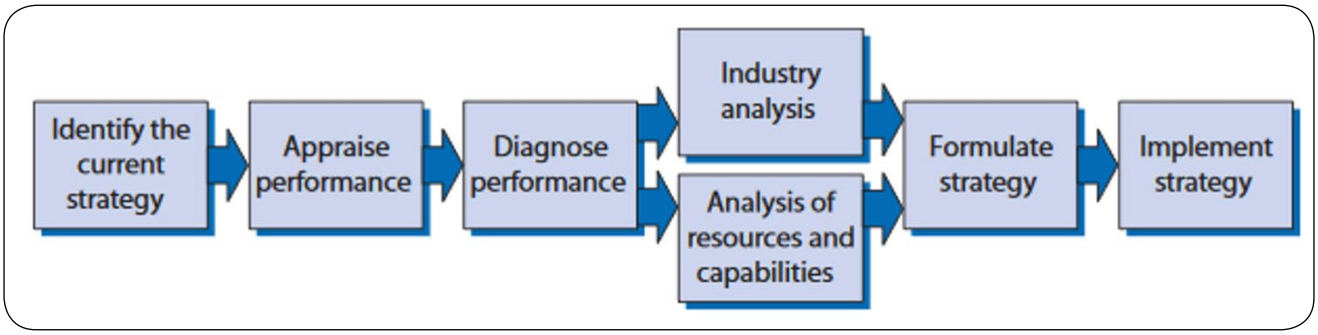
According to Minztberg (1994) rational design is an inaccurate account of how strategies are actually formulated and a poor way of making strategy. The emergent approaches to strategy creation permit adaptation and learning through a continuous interaction between strategy formulation and strategy implementation in which strategy is constantly being adjusted and revised in the light of experience. Strategy-making involves thought and action (Gavetti & Rivkin, 2007). This is a rational design coupled with decentralized adaptation. Part of the design of the strategy is a number of organizational processes that serve as the basis for thinking, discussing and deciding on strategy. The strategy must be accepted by all members of the organization (Burgelman & Grove, 1996).

An essential part of the strategy is the subsequent analysis of the strategic decision. The goal is to provide frameworks for organizing discussion, processing information and developing consensus. The purpose of strategy analysis is to help understand issues (Grant, 2016).

1.9 Applying Strategy Analysis

The process of applying the strategy depends on the specific situation. Strategy for the company as a whole is different from the strategy for producing a specific product. The subsequent proposal is a business strategy recommendation (Venzin *et al.*, 2005):

Picture 3: Applying strategy analysis



Source: Grant (2016: 25)

Summary

This chapter discusses that strategy is a key component of success for both organizations and individuals. A good strategy can only improve the odds of success – it cannot guarantee it. Successful strategies generally include four elements: clear, long-term goals; deep understanding of the external environment; careful and accurate appraisal of internal resources and capabilities; and effective implementation. Strategy presently less about planning based upon forecasts, and more about setting a direction for the firm, determining its identity, and finding sources of increased profitability. Developing a strategy for an organization requires a combination of rational design and a flexible response to changing circumstances.

Questions for review

- How can strategy be defined?
- Why do firms need strategy?
- Where do we find strategy?
- Which is the basic framework to strategy analysis?
- What is the difference between business and corporate strategy?

Source:

- Grant, R. M. (2016). *Contemporary strategy analysis: Text and cases edition*. John Wiley & Sons. ISBN: 978-1-119-12084-1

2 Analyzing resources and capabilities

Learning Objectives

In this chapter the focus of strategic thinking is directed toward the internal environment of the firm. Attention is focused on the resources and capabilities that the firm possesses. The chapter also provides the basis for a competitive advantage analysis. After reading the chapter, the reader will be able to appreciate the role of a firm's resources and capabilities as a basis for formulating strategy, identify the resources and capabilities of a firm, evaluate the potential for a firm's resources and capabilities to confer a sustainable competitive advantage, and formulate strategies that exploit internal strengths while defending against internal weaknesses.

The chapter is based on the book by Robert Grant (2016) *Contemporary strategy analysis: Text and cases edition.* To acquire the necessary knowledge and skills, reading the book above is recommended.

Time load

6 hours

2.1 Basing Strategy on Resources and Capabilities

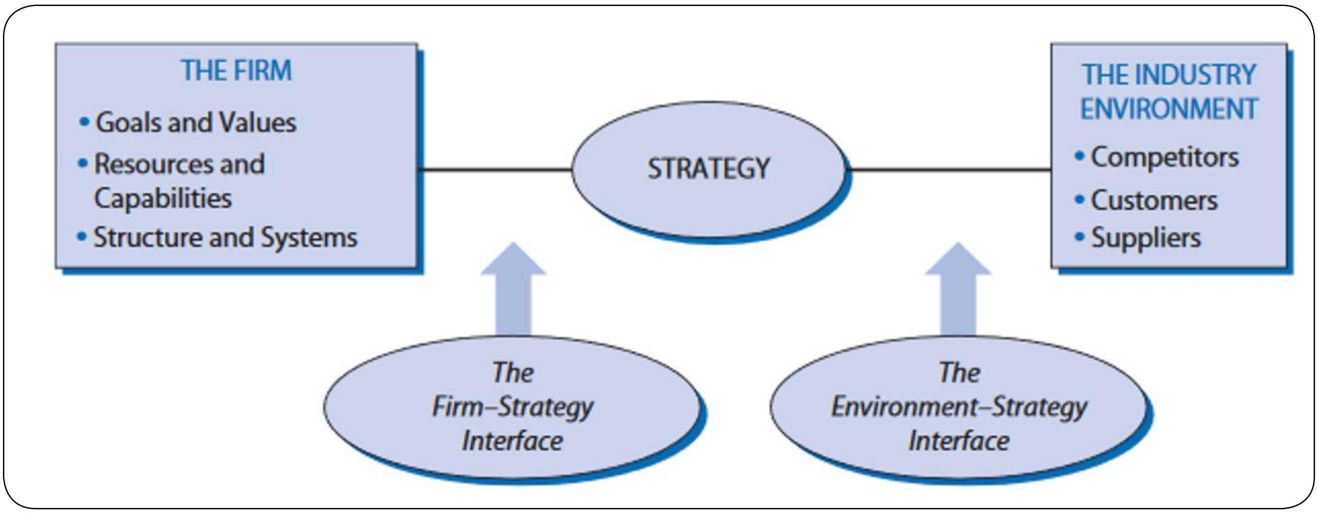
A company's strategy is focused on the use of its resources and capabilities to exploit opportunities in the external environment. Strategy should make use of the resource and capability strengths of a person or an organization. The growing emphasis on the role of resources and capabilities as the basis for strategy is the result of two factors. Firms' industry environments have become more unstable, so internal resources and capabilities rather than external market focus have been viewed as a more secure base for formulating strategy. Competitive advantage rather than industry attractiveness is the primary source of superior profitability (Grant, 2016).

During the 1990s, the resource-based view of the firm emerged as a culmination of ideas regarding the significance of resources and capabilities as a source of profitability in strategy-making (Barney, 2001; Mahoney & Pandian, 1992; Peteraf, 1993; Grant, 1999).

In order to understand the fundamental influence of resources on strategic thinking, it is necessary to answer the following questions:

- "What is our business?"
- "Who are our customers?"
- "Which of their needs are we seeking to serve?"

Picture 4: Analyzing resources and capabilities: The interface between strategy and the firm



Source: Grant (2016: 115)

World-wide preferences and identities of customers and technologies are constantly changing. Companies are forced to adapt their strategy to constant change. The company must identify its identity and set its strategy according to the external environment. An emphasis on resources and capabilities as a basis for the strategy of the firm was enforced by Prahalad & Hamel (1990).

In practice, the higher the degree of change in the company's external environment, the greater the likelihood that internal resources provide a safe basis for a long-term strategy. In fast-moving, technology-based industries, basing strategy upon capabilities can help firms to outlive the life-cycles of their initial products. In the past, it has turned out that companies that have tried to maintain their market focus have suffered huge problems as a result of radical technological changes. Kodak, for example, underestimated the onset of digital technology, which led it to forced bankruptcy (Grant, 2013).

2.2 Resources and Capabilities as Sources of Profit

The main goal of strategy has been to create a competitive advantage through the development and use of resources and capabilities. The industry's attractiveness and competitive advantage have been distinguished. The profits arising from market power are referred to as monopoly rents. British economist David Ricardo showed that, in a competitive wheat market, when land at the margin of cultivation earned a negligible return, fertile land would yield high returns. Ricardian rent is the return earned by a scarce resource over and above the cost of using the resource (Madhok *et al*., 2010).

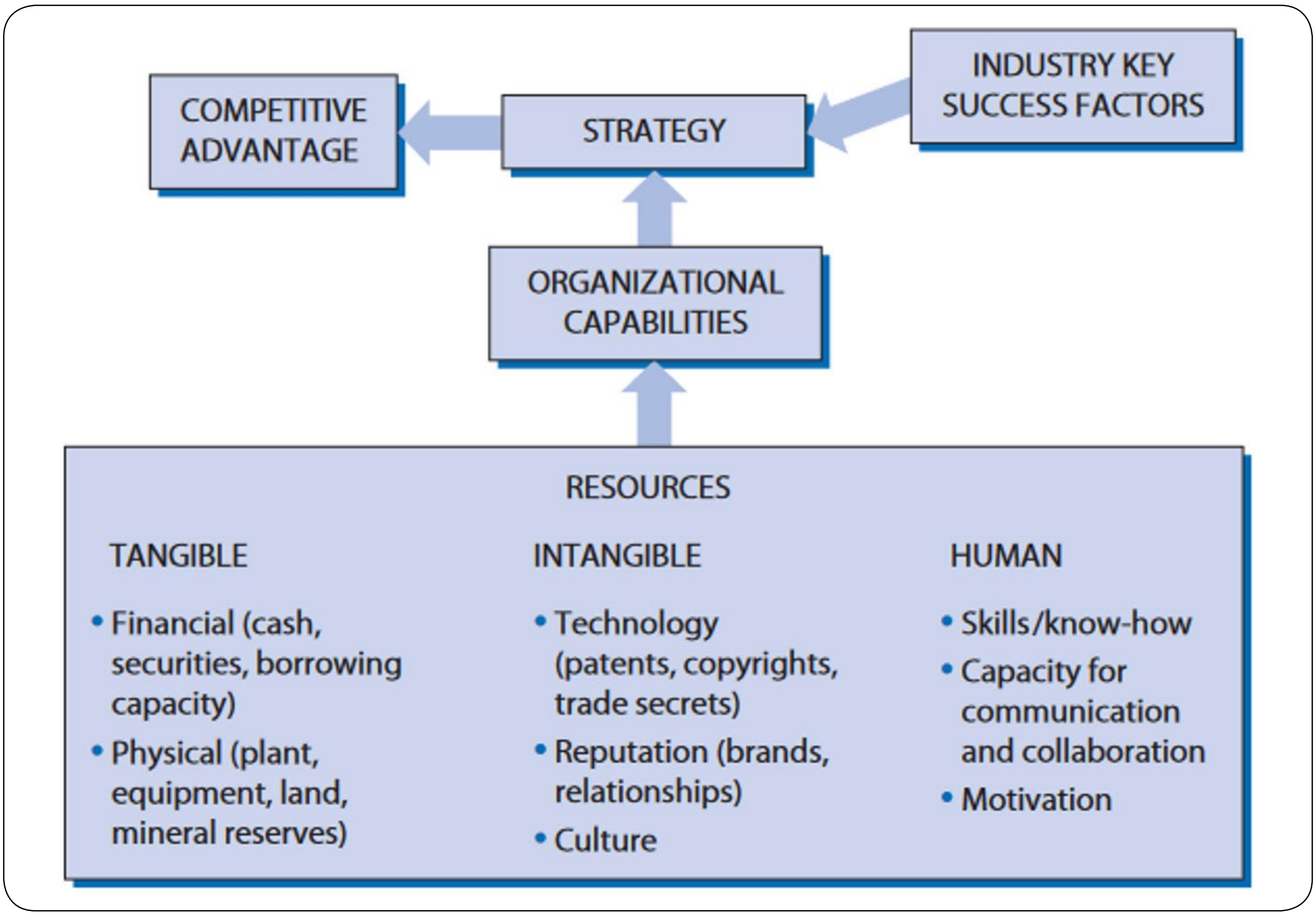
Porter's five forces framework suggests that industry attractiveness often derives from the ownership of strategic resources. There are barriers to entry into the industry that are caused by *e.g.* patents, know-how, brands, distribution channels, learning *etc*. Monopoly is usually based on the ownership of a key resource such as a technical standard or government license. The resource-based view recognizes that each company possesses a unique collection of resources and capabilities. The key to these companies' success is to differentiate themselves from other companies, exploit differences and thus generate profits. Creating a competitive advantage involves creating and implementing a strategy that manages to exploit the specific strengths of a company (Grant, 2016).

2.3 Identifying Resources

It is important to clarify the difference between resources and capabilities. **Resources** are the productive assets owned by the firm while **capabilities** are what the firm can do. Resources by themselves are not enough to create a competitive advantage. They must work together to create organizational capability. Organizational capability provides the foundation for competitive advantage. Company resources consist mainly of physical and financial resources. We distinguish three main types of resources in a company:

- Tangible
- Intangible
- Human

Picture 5: The links between resources, capabilities and competitive advantage



Source: Grant (2016: 119)

Tangible resources are the easiest to identify and value. These are financial resources and tangible assets that appear in the balance sheet. Accounting conventions typically result in tangible resources being misvalued. For most companies, **intangible resources are more valuable than tangible resources, despite often not appearing in balance sheets at all (Grant, 2016).**

The exclusion or undervaluation of intangible resources results in differences between companies' balance sheet valuation and their stock market valuation. Trademarks provide the legal basis for brand ownership. Other types of intellectual property are patents, copyrights, and trade secrets which form the proprietary knowledge assets of the firm. As the economy is becoming increasingly knowledge-based, patents and copyright are becoming increasingly important resources. Companies such as Qualcomm, CDMA, ARM and W. L. Gore Associates owe much of their value to patents. Another possible resources in a company are its relationships with other companies, customers, or other market subjects. They provide access to information, know-how, inputs. These relationships have been referred to as "network resources" (Gulati, 1999).

Organizational culture may also be considered an intangible resource. Organizational culture is "an amalgam of shared beliefs, values, assumptions, significant meanings, myths, rituals, and symbols that are held to be distinctive" (Green, 1988: 18). Organizational culture is critically important. It exerts a strong influence on the capabilities an organization develops and the effectiveness with which they are exercised (Barney, 1986).

Human resources comprise the skills and productive effort offered by an organization's employees. Human resources are not part of the company's balance sheet, but the stability of employment relationships allows human resources to be considered a part of the resources of the firm. Organizations analyze their human resources in recruiting new employees and evaluating their performance and planning their development. Many organizations have established assessment centers to measure employees' skills and attributes. Competency modeling involves identifying the set of skills, content knowledge, attitudes, and values associated with superior performers within a particular job category, then assessing each employee against that profile (Lawler, 1994).

2.4 Identifying Organizational Capabilities

Resources are not productive on their own. To perform a task, resources must work together. An organizational capability is a "firm's capacity to deploy resources for a desired end result" (Helfat & Lieberman, 2002: 725). An organization may possess the capabilities needed to manufacture widgets, distribute them globally, and hedge the resulting foreign-exchange exposure. Prahalad & Hamel (1990) introduced the term core competences to describe those capabilities fundamental to a firm's strategy and performance.

Firms needs to take a systematic view of their capabilities before they decide which organizational capabilities are "distinctive" or "core." Two approaches are commonly used to identify a firm's organizational capabilities:

- A functional analysis
- A value chain analysis

A functional analysis identifies organizational capabilities within each of the firm's functional areas. Among the functions are operations, purchasing, logistics/supply chain management, design, engineering, new product development, marketing, sales and distribution, customer service, finance, human resource management, legal, information systems, government relations, communication and public relations.

A value chain analysis identifies a sequential chain of the main activities that the firm undertakes. Michael Porter's (1989) generic value chain distinguishes between primary activities and support activities. Porter's value chain activities can be divided to provide a more detailed identification of the firm's activities.

Both approaches might not identify idiosyncratic capabilities that are critical to the establishment and maintainance of a competitive advantage. At the basis of every organizational capability is coordinated behavior among organizational members. This is what distinguishes an organizational capability from an individual skill. Individual actions are integrated into organizational capabilities through processes and routines. The capabilities of an organization may be viewed as a hierarchical system in which lower-level capabilities are integrated to form higher-level capabilities. For example, new product development capability is an upper-level capability that integrates technological development, marketing, design, product engineering, process engineering, and finance (Teece *et al*., 1997).

2.5 Appraising the Strategic Importance of Resources and Capabilities

Strategically important resources and capabilities are those that have the potential to generate considerable streams of profit. This depends on three factors: their potential to establish a competitive advantage, to sustain that competitive advantage, and to appropriate the returns from the competitive advantage. Each of these depends on several resource characteristics (Grant, 2016).

Establishing Competitive Advantage

For a resource or capability to establish a competitive advantage, two conditions must be present:

- **Relevance**: A resource or capability must be relevant to the key success factors in the market.
- **Scarcity**: widely available resources may be necessary to enter a market but are generally not sufficient to create a competitive advantage.

Sustaining Competitive Advantage

A competitive advantage generally erodes over time. Three characteristics of resources and capabilities determine the sustainability of the competitive advantage they offer:

- Durability
- Transferability
- Reblicability
- Appropriating the returns to competitive advantage

In order to find out which resources are strategically the most important, it is necessary to assess how a firm measures up relative to its competitors. Making an objective appraisal of a company's resources and capabilities relative to its competitors' is difficult (Miller, 1990). **Benchmarking** is the process of comparing one's processes and performance to those of other companies. Benchmarking offers an objective and quantitative way for a firm to assess its resources and capabilities relative to its competitors'. Firms need benchmarking supplemented by more reflective approaches to recognizing strengths and weaknesses (Bloom & Van Reenen, 2010).

2.6 Developing Strategy Implications

What does a company do about its key weaknesses? In the short to medium term, a company is likely to be stuck with the resources and capabilities that it has inherited. Outsourcing is often the best and most successful solution of weaknesses in key areas. The trend toward vertical deintegration is the result of companies concentrating on their key strengths and outsourcing other activities. Clever strategy formulation can allow a firm to negate its vulnerability to key weaknesses (Grant, 2016).

In situations where a company has strengths that don't contribute to a sustainable competitive advantage, selective divestment may be the solution. Innovative strategies may be employed to turn insignificant strengths into strategic differentiation (Markides, 2000).

Summary

Attention in this chapter was focused on the internal environment of the company. Internal resources and capabilities have been identified as possible basis of strategy-building. The internal resources and capabilities available to a company should be systematically identified and appraised regarding their potential to create a sustainable competitive advantage and generate profit.

Questions for review

- Why are resources and capabilities important in forming a strategy?
- What are the three main types of resources in the company?
- How do the three main types of resources contribute to the implementation of strategy?
- What is the impact of organizational capabilities on an organization's strategy?
- What is benchmarking?

Source:

- Grant, R. M. (2016). *Contemporary strategy analysis: Text and cases edition*. John Wiley & Sons. ISBN: 978-1-119-12084-1

3 Managing change: a process perspective

Learning Objectives

Change managers, at all levels, have to be competent at identifying the need for change and have to be able to act in ways that will secure change. As many as 60% of change programmes fail to achieve targeted outcomes (Beer *et al*., 1990). This chapter examines change from a process perspective, how change happens and transformation occurs. Attention is focused on reactive and self-reinforcing sequences of events, decisions and actions and how they affect change agents' ability to achieve intended goals. In order to minimize the negative effects of sequences, change agents need to be able to carefully observe the situation, identify critical relationships and important factors influencing behavior, and find possible alternatives to resolving the problematic situation. A process model is presented, which is based on teleological and dialectical theories that conceptualize change as a purposeful, constructed and often contested process.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

3.1 Process models of change

Open systems theory provides a way of thinking about organizations as parts of a larger system, as well as being themselves systems of interrelated sub-units. In other words, organizations are composed of subsystems, and are themselves parts of a larger system, which exerts its influence upon them. The well-being of an organization largely depends on how well its individual components can adapt to one-another and work together. For example, alignment between a company's strategy and the threats and opportunities in its external environment are very important for an organization's survival. Schneider *et al. (2003: 125) claim that because the system loses less energy and resources if its components work together instead of disrupting each other, internal and external alignment boost organizational effectiveness. Being able to set directions for change and influence others to achieve goals that improve alignment is an important part of being a good leader.*

Van de Ven & Poole (1995) identified four ideal types of proces theories that provide alternative views of the change process:

- Teleological theories
- Dialectical theories
- Life cycle theories
- Evolutionary theories

All four theories view change as involving a number of events, decisions and actions that are connected in a sequence.

Theories differ in the emphasis they place on the order of the stages of a change proces. Flamholtz (1995) asserts that organizations progress through seven stages of development from new venture to decline and possible revitalization, and at each stage of organizational development, the criteria of an organization's effectiveness change. First stage of the organization's life cycle concerns survival, markets and products being the the major areas for development. The second phase concerns the management of resources and the development of operating systems. In the third phase, formal management systems, such as planning and development management, are used.

Members of the organization may be reluctant to abandon or change existing routines and move the system to new goals. The nature of the change sequence affects the extent to which those leading the change movement will be able to realize the possibility of setting their own change trajectories. Dialectical theories focus on the conflicting goals of those involved in a situation. These conflicts give rise to reactive sequences, in which one party challenges another party's attempt to move forward with a particular change (Hayes, 2014).

People who lead the change movement can try to avoid conflict by setting a vision that is in line with the interests of many groups, but it is not always possible to satisfy the interests of all people. People with discontent can prevent a change. It is important to act so that everyone supports the change. In some cases, they can lead to negative responses to minor variations, while in other cases they can have a major impact on the situation (Mahoney, 2000). Pierson (1998) observes that events can trigger counter-reactions that are powerful enough to move the system in a completely new direction.

Situations where the decision or action produces positive feedback that reinforces earlier events and supports the direction of change result in **Self-reinforcing sequences. This reinforcement induces further movement in the same direction.** In the short term, they can bring benefits, but managers need to be careful and think in the long run, so that benefits won't turn into disadvantages later on. We diferentiate three drivers of self-reinforcing sequences (Hayes, 2014):

- increasing returns
- psychological commitment to past decisions
- cognitive biases

Increasing returns is an important driver of self-reinforcing sequences. Arthur (1994) and David (1985) argued that a particular technology that is first to market or widely adopted by early users may produce increasing returns and lead to a decisive advantage over competing technologies. Arthur (1994) distinguishes four conditions that can promote increasing returns. These conditions apply to almost every aspect of organizational change:

- Set-up costs
- Learning
- Coordination
- Betting on the right horse

Another self-reinforcing mechanism is **psychological commitment to past decisions**. Decision-makers are often motivated by retrospective rationality and the need to justify past decisions. Staw (1976, 1981) observed that, when faced with negative outcomes following a decision, leaders may commit additional resources in order to justify the earlier decision and demonstrate the ultimate rationality of their original course of action. Additional investment may not rescue the situation. The two factors that seem to support escalation of commitment are the change managers' need to demonstrate their own competence and justify an earlier decision, and perceived pressure for consistency.

Cognitive bias can be caused selective perception of what is important. Conger (1990) argues that major changes must make a realistic assessment of opportunities and constraints. According to Edwards (2001), the leaders tend to compare their decisions with similar scenarios in the past. Leaders only evaluate attributes of immediate situations that are consistent with the selected category of scenarios. Their attention is limited only to information they consider to be relevant. Their failure to pay attention to inconsistent or negative feedback makes them believe that their actions and decisions and effective. This cognitive bias may be reinforced if change managers have a history of past successes, since a history of success may warp an individual's perception of the limits of his abilities.

Reactive sequences arise in situations where every individual tries to pursue his own interests. Negative reactions are often easily detectable, but not in every situation. Even if all stakeholders agree with the change in the short run due to being unable or unwilling to voice their disapproval, they may grow more bold and powerful later. For this reason, it is prudent to find and appease dissenters early (Hayes, 2014).

Self-reinforcing sequences can undermine change managers' flexibility and their ability to adapt to changing circumstances. Self-reinforcing sequences are driven by increasing returns a psychological commitment to past decisions or cognitive biases. Schreyögg & Sydow (2011: 322) refer to self-reinforcing sequences as entrapping processes that "often unfold behind the backs of actors and bring about an escalating situation with unexpected results." According to Sydow *et al.* (2009), the restoration of choice is a minimum condition for breaking out of the path dependency that is often associated with self-reinforcing sequences.

The change process often takes on **Complex patterns,** such as a patterns of punctuated equilibrium which involve an alternation between self-reinforcing sequences, and reactive sequences. These self-reinforcing reactive cycles can be observed over different time periods (Hayes, 2014).

3.2 Leading change: a proces perspective

Leaders who recognize or anticipate changes in their organization's external environment may be better equiped to initiate change. Lewin (1951) provided some useful information about the change for those who want to intentionally change the ir organization's current state. He argued even if there is no change, that does not have to mean that everything is stationary. For example, members of two groups in the marketing department might engage in competitive and collaborative behaviours when they come together in departmental meetings. Lewin (1951) claims that any level of behaviour is exists as a quasi-stationary equilibrium in field of balanced forces pushing for and resisting change. This level of behavior can be changed by changing the equilibrium, *i.e.* by either manipulating strength of the forces that push towards change, or by manipulating the strength of forces pushing towards the status quo. When there is an increase in forces requiring change, tension, aggressiveness, emotionality, and low level of constructive behavior increase.

Lewin (1951) suggested a **three-step process** that is required for a successful change:

- unfreeze or unlock the existing level of behaviour
- move to a new level
- refreeze behaviour at this new level

Unfreezing involves destabilizing the balance of driving and restraining forces. According to Kotter (1995) the destabilization can be achieved by alerting organizational members to the need for change. Visions of future desirable status can weaken the constraints and strengthen the driving force. This reaction may lead to efforts to find better alternatives. Schein (1996) argues that the disparaging view of people about the benefits of the present state can motivate learning and change.

Lewin's second phase involves **moving the behavior to a new level**. Movement is accomplished by adjusting machines, beliefs, processes, systems and cultures that influence behavior. **Refreezing** involves reinforcing new behaviours in order to maintain new levels of performance and avoid regression. New techniques can help to incorporate feedback. According to Lewin's opinion, there are too many short-term changes (Lewis, 1951).

Three other process models of change, which can be viewed as elaborations of Lewin's basic model:

1. Lippitt *et al*. (1958) expanded Lewin's three-stage model.
   Scientists have come to the conclusion that the motion phase is divided into three substages:
   - The clarification or diagnosis of the client's problém
   - The examination of alternative routes and goals, and the establishment of goals and intentions for action
   - The transformation of intentions into actual change efforts

2. Egan (1996) developed a similar model based on Lewin's three stages of unfreezing.
   Egan focuses most attention on the unfreezing and moving phases. Emphasis was placed on assessing the current scenario and creating a vision. The essential elements are:
   - The current scenario
   - The preferred scenario
   - Strategies and plans for moving to the preferred scenario

3. Beckhard & Harris (1987) present a three-stage model.
   Their model focuses on defining the present and the future, managing the transition, and maintaining and updating the change. Attention has been paid to issues concerning the mobile or transitional phases.
   These models highlight the importance of:
   - Developing change relationships
   - Diagnosis
   - Strategies and plans
   - Implementation
   - Maintaining the change

Key steps in the change process (Hayes, 2014)**:**
- recognizing the need for change and starting the change process
- diagnosing what needs to be changed and formulating a vision of a preferred
- future state
- planning how to intervene in order to achieve the desired change
- implementing plans and reviewing progress
- sustaining the change
- leading and managing the people issues
- learning

Summary

A review of the four process theories of change, teleological, dialectical, life cycle and evolutionary, revealed that they all view change as involving a number of events, decisions and actions that are connected in some sort of sequence, but they differ in terms of the degree to which they present change as following certain essential stages and the extent to which the direction of change is constructed or predetermined. This chapter presented a process model of change that draws on teleological and dialectical theories. It provided a conceptual framework that those leading change can use to identify the issues they need to address if they are to secure desired outcomes.

Questions for review

- Which four types of process change theories are there?
- How would you characterize self-reinforcing sequences?
- What is the impact of complex patterns on strategy?
- What is the output and contribution to business practice of the Lewin three-step process?
- How did scientists adapt and enrich Lewin's three-step process model?
- What are the seven steps of the change process?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

4 Recognizing the need for change and starting the change process

Learning Objectives

This chapter examines forms of organizational patterns indicating the needs for change. It is focused on patterns of change involved two paradigms and their requisities. On these basis forms of change and types are derived. The need for change can come from internal or external environment and trigger the change itself.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

4.1 Patterns of change

According to open systems theory organization is a system of interrelated components which cooperate with each other and the larger environment. To put it simple, an organization can be seen as an open system which interacts with its environment, receives various inputs and transforms them into outputs. Organizations that produce goods or services for customers are exposed to feedback from them or other external stakeholders. The feedback can call for modification in a system and then cause a change in the production of goods or services and requirements of inputs from the environment.

Adapting to change: the gradualist paradigm

The gradualist paradigm says that organizations comply with opportunities and threats in a process of constant incremental change. The response keeps evolving and the constant change cumulates to convert the organization. We can introduce examples such as Walmart, Intel or Gillete as organizations where change is core competence (Brown & Eisenhardt, 1997). The constant change leads to updates of work processes and social practices.

Weick & Quinn (1999) described three related processes concerned with constant change:

- Improvising: enable the modification of work processes
- Translation: adaption and editing of ideas in the organization
- Learning: eternal revision of mental models which enable the organization to change its ability to react.

The punctuated equilibrium paradigm

The paradigm suggests that organizations come through the periods of equilibrium with limited incremental changes permited by **deep structures** followed by revolutionary periods where the deep structures are transformed. Gersick (1991) studied models of change and suggested that the paradigm has components such as relatively long periods of stability, so called equilibrium, intermitteted by periods of qualitative change, so called revolutions. She also defined deep structure as essential choices of organizations which lead to the determination of basic activities that keep its existence. The five key activites were identified by Tushman & Romanelly (1985): organization culture, strategy, structure, power distribution, control system.

In **equilibrium periods** organizations are reluctant to chang thanks to forces of inertia. Gersick (1991) determined three sources of inertia: cognitive frameworks, motivation and obligations. On the other hand, during **revolutionary periods** organizations do not change through incremental steps. Revolutionary changes happen during divergent periods when there is a discrepancy between organization's deep structure and environmental demands. Most organizations undergo punctuated equilibrium change. According to the paradigm there are two types of change:

- Incremental change
- Transfomational change

Tushman with colleagues (1986) found out that changes which companies go through are:

- Repetitive with some reguality
- Change patterns are different in sectors (5 or maybe 30 years)
- The rate of change is mostly increasing, and the time gap is decreasing

The last point suggests that managers will eventually be exposed to a growing need for change. Sometimes there is a chance to **anticipate a change**. For example, if an organization catches up with European Union new regulations it can anticipate changes in that are about to happen. However, there are events which cannot be predicted (*e.g.* terrorist attacks).

The sooner the need for change is recognized, the more options managers have how to deal with them. The constraints with dealing with urgent needs for changes can be:

- Less time for planning
- Not enough time to involve many people
- Little time to experiment
- Late movers might not have an opportunity to influence shifts in markets and technologies

A typology of organizational change

On the basis of two dimensions discussed before there is a model below which shows the typology of organizational change.

Picture 6: Types of organizational change

	Incremental	Transformational
Proactive	Tuning	Reorientation
Reactive	Adaptation	Re-creation

Source: Nadler et al. (1995: 24)

- **Tuning**: change which arises when there is no requirement to change. This type of change includes searching for better ways to achieve and protect a strategic vision. It is usually started internally to make small adjustments.
- **Adaptation**: it is a gradual and adaptive response to external change demand. It doesn't lead to a change of things that the organization does, but to improvements in the ways in which it does those things.
- **Reorientation**: includes redefinition of a business. This action should secure that an organization keeps being effective and ordered.
- **Re-creation**: fast and simultaneous change including transformation of basic elements of an organization.

Implications of these different types of change for change management practice

Various types of change can have an effect on the focus of change efforts, the different steps in a change process. **Incremental change** leads to improvement of internal arrangement between present organizational components to make things better and improve efficiency. Regarding the **transformational change,** the goal is to find new configuration of organizational components to realign the organization with changing environment.

There is an argument that significant factor which determines how a change is managed is its intensity. Considering the typology mentioned above:

- **Transformational change**: more intense than incremental change, because there are no old deep structures which could be followed, and future directions are uknown. Organizational members tend to be uncertain and often influenced by emotions (Gersick, 1991).
- **Reactive change**: more intense than proactive change, everyone sees that failure could threaten survival (Nadler & Tushman, 1995).

Gersick (1991) argues that punctuated equilibrium is not new. The new is how people recognize it.

4.2 Recognizing a need or opportunity for change

Many elements which trigger change in an organization come the from external environment or the system itself. To recognize **external sources of change**, the analytical tool PEST analysis (P – political factors, E – economic factors, S – sociocultural factors, T – technological factors) may be used.

Greiner (1972) points out that many problems lie in past company decisions. According to him the company goes through 5 stages of evolution and each of them can bring some **internal sources of change**. Each evolutionary stage brings its own management problems and each revolution stage deals with different management problems. The 5 stages of evolution are:

- Growth through creativity which leads to a crisis of leadership
- Growth through direction which leads to a crisis of autonomy
- Growth through delegation which leads to a crisis of control
- Growth through coordination which leads to a crisis of "red tape"
- Growth through collaboration

Recognizing the need for change

If an organization is unable to recognize the need for change it can result in internal and external misalignments causing organizational ineffectiveness. Hickman & Silva (1984) pointed out that many organizations suffer because they are unable to recognize their own problems. Nadler & Shaw (1995) support Sydow *et al.*'s (2011) theory of organizational path dependence: it was observed that if an organization is successful, managers stick to their ways and the status quo is rarely questioned. The organization is in a stable state and focuses on internal relationships and not on its relationship with the environment. Then customers and suppliers receive less attention and costs increase. The organization becomes "learning disabled". The outcome of this trap of success is called "death spiral".

Managers are liable for making sure the organization is effective. In case it is not it can be a sign for change. Factors which should be considered when performance is assessed are:

- Purpose
- Stakeholder perspective
- Level of assessment
- Alignment
- Time perspective
- Benchmarks
- Constraining and enabling factors

To assess performance, it is possible to adopt the **balanced scorecard**. The method was developed by Kaplan & Norton (2004: 9) and involves four perspectives: financial, customer, internal process and learning and growth perspective. This leads to a more comprehensive assessment of the organization's performace.

Shaping the agenda for change depends on many levels in an organization from the senior managers to employees who directly work with customers. Pitt *et al.* (2002) refer to people who affect the organizational agenda as "playmakers". They can be grouped as follows according to the study:

- Upward-facing advocates – people who promote ideas and concerns rationally
- Upward-facing emotice champions – people who prefer emotion and polemics to rational arguments
- Democratic brokers – people who enable lateral communication among peers.

4.3 Starting the change

According to the **deterministic view** a manager is able to influence change but is limited by main forces outside of the organization. Regarding the **voluntarist view** managers are not powerless and with other organizational members are main decision-makers who define the fate of the organization (Hayes, 2014).

Managers can make a difference and learn to control change more effectively if they acquire:

- confidence in abilities to make a difference,
- the motivation to change,
- conceptual models and action tools/interventions,
- change management skills.

Confidence in abilities to make a difference

Some managers can be too optimistic and confident which can cause problems. On the other hand, some change makers can be ineffective thanks to their inability to control the factors necessary to reach desired outcomes. This can be explained with locus of control and learned helplessness. Locus of control determines the degree to which people believe in themselves to enable things. "Internals" are those who claim that outcomes are results of their own efforts and "externals" are ones who assign outcomes to external factors such as luck, other people *etc*. Locus of control is connected to Seligman's (1975) theory of learned helplessness which says that the ability to control outcomes can be learned. Managers may start to challenge their abilities to control change.

The motivation to change

Those who are successful but experience some difficulty are likely to want change, and have enough confidence to change. The ones who can be considered as unsuccessful are least likely to understand and see the need for change.

Conceptual models

There are two categories of models: process models concerned with how to chage management and diagnostic models aiming to identify what needs to be changed.

Change management skills

When managers present change agents it is necessary to communicate, offer leadership, team work, negotiation, motivation *etc*.

When it is known that there is a need for change, someone responsible for facilitating the process should be appointed. It could be an insider or outsider. The factor of the successful change is the relationship between change agents and others involved.

4.4 Building change relationships

There are many people involved in change in an organization, especially insiders and they can help in many ways. Blake & Mouton (1986) describe the intervention of change agents as "cycle-breaking endeavours" which consists of five modes:

- Advising
- Supporting
- Theorizing
- Challenging
- Information gathering

The most effective modes of intervening are collaborative modes when change managers respect people they cooperate with. One needs to:

- Signal that other's view is worth listening to
- Interrupt critical judgement

Intervening mode which is the most effective can be different according to help relationships. There is a list of chosen helping skills to intervene (Hayes, 2014):

- Self-awereness
- Establishing relationships
- Empathy
- Listening to facts and feelings
- Probing for information
- Identifying themes and have the bigger picture
- Giving feedback
- Challenging assumptions

Summary

This chapter described how companies identify the need to change, the patterns in which change may occur, and the role of change agents. It is important to remember that change in an organization is an incremental process with the ultimate goal of aligning the company's internal and external environments.

Questions for review

- How does change happen according to the gradualist paradigm?
- What is the difference between external sources of change and internal sources of change?
- How can we characterize incremental change and transformational change?
- What modes of behavior do cycle-breaking endeavours include?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

5 Diagnosing what needs to be changed

Learning Objectives

Organizational diagnosis is a research process, the main goal of which is to provide recommendations for improvement. It looks at how the organization functions. In this chapter, several models of organizational diagnosis are identified. The chapter assesses the relative merits of component and holistic models and describes the process of gathering and interpreting the information necessary for organizational diagnosis.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

5.1 Diagnosis

Organizational diagnosis is defined as a research process which looks at how the organization functions. The purpose of organizational diagnosis is to provide recommendations for improvement (Postma & Kok, 1991). To better understand organizational behaviour, simplified models are used which focus on:

- A limited number of key elements
- Casual relationships between these elements
- The outputs resulting from the interactions, which provide a basis for evaluation of performance

Models in general represent simplified reality. The three characteristics of good diagnostic models are:

- Relevant to the particular problems under considerations
- Help change agents to recognize cause-and-effect relationships
- Focus on element they can influence

These models are used in order to:

- Filter relevant information
- Interpret what the information means
- Make decisions

Component models look at individual aspects of organizational functioning, such as motivation, decision making *etc*. On the other hand, **holistic models** examine system of an organization as a whole.

Open systems theory

This theory provides a framework which looks at an organization as a system of interrelated components cooperating with a larger environment. From perspective of open systems there are main characteristics of organizations (Hayes, 2014):

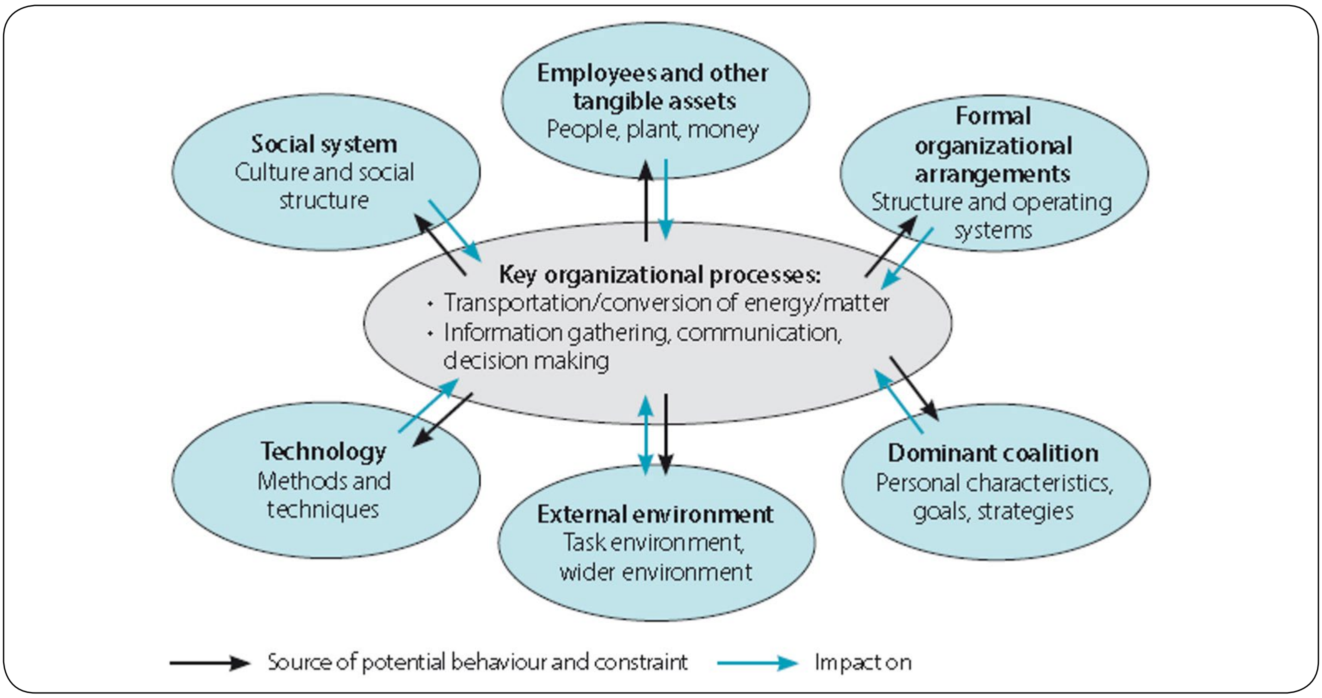
- **Embedded within a larger system –** organizations exist within a larger system, upon which they are dependent for resources, information, and feedback.
- **Able to avoid entropy** – because organizations are partially open systems, they are able to avoid the gradual increase of entropy, in other words, they have the potential to remain in an organized state indefinitely.
- **Regulated by feedbacks** – outputs of the organization provide it with feedback upon which the organization can act by adapting and improving. Change in one component can affect a change in other components.
- **Subject to equifinality –** different configurations of a system can lead to the same result. In other words, there are multiple paths toward the same goal.
- **Cyclical in their mode of functioning –** events in organizations tend to happen in repeating input-throughput-output cycles.
- **Equilibrium seeking –** open systems tend to move towards a state of equilibrium, a steady state. Changes that happen in this steady state cause different components of the organization to move and change in attempts to reach a steady state again.
- **Bounded** – open systems have internal and external boundaries. Internal boundaries separate individual components of the system from each other, whereas external boundaries separate the whole system from the larger environment. Boundaries also regulate the flow of resources and information between components or between the system and its environment.

Kotter's integrative model of organizational dynamics

According to open system theory, changes to any of the internal or external elements of an organization's system will cause changes to its other elements. Because of that the organization should be seen as a system of interconnected choices (Siggelkow, 2001).

Kotter's model shown below contains seven major elements, key organizational processes and six structural elements.

Picture 7: Kotter's integrative model of organizational dynamics



Source: Kotter (1980: 282)

The six structural elements in the model are:

- External environment
- Employees and other tangible assests
- Formal structures
- Social system
- Technology
- Dominant coalition

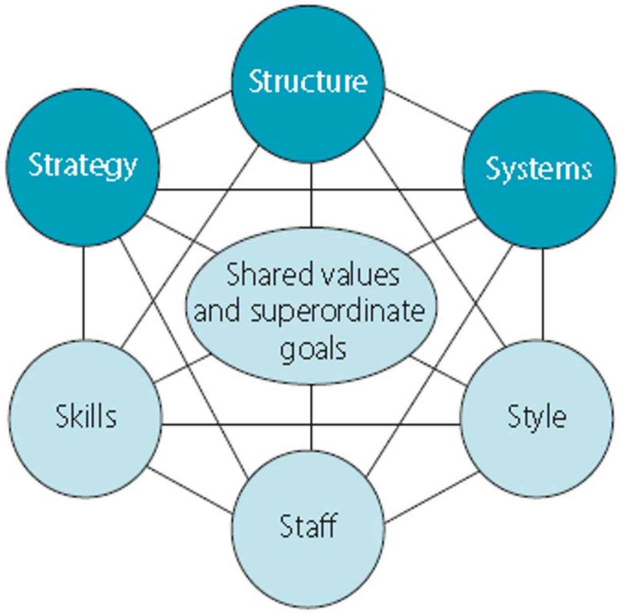
The model highlights which aspects of organizational functioning affect effectiveness over the short, medium and long term.

The MCKinsey 7S model

The model highlights seven interrelated organizational elements which contribute to organizational effectiveness (Pascale & Athos, 1981). It provides an illustration of how change tools can be transformed to identify disparity requiring furher investigation. It consists of:

- Strategy
- Structure
- Systems
- Staff
- Style
- Shared values and superordinate goals
- Skills

Picture 8: The McKinsey 7S model

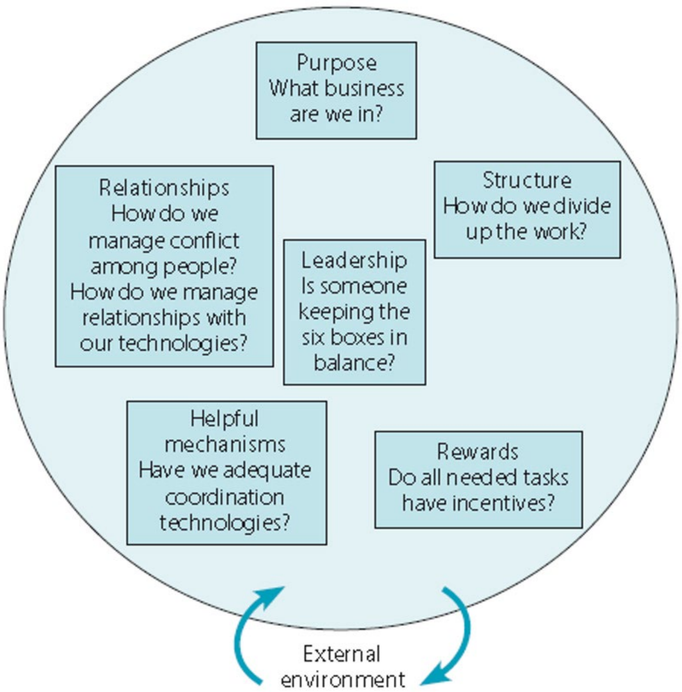


Source: Waterman et al. (1980: 14)

Weisbord's six-box model

The model consists of six elements that can be used to apply any theories for element assessment to reveal new connections between them.

Picture 9: Weisbord's six-box model



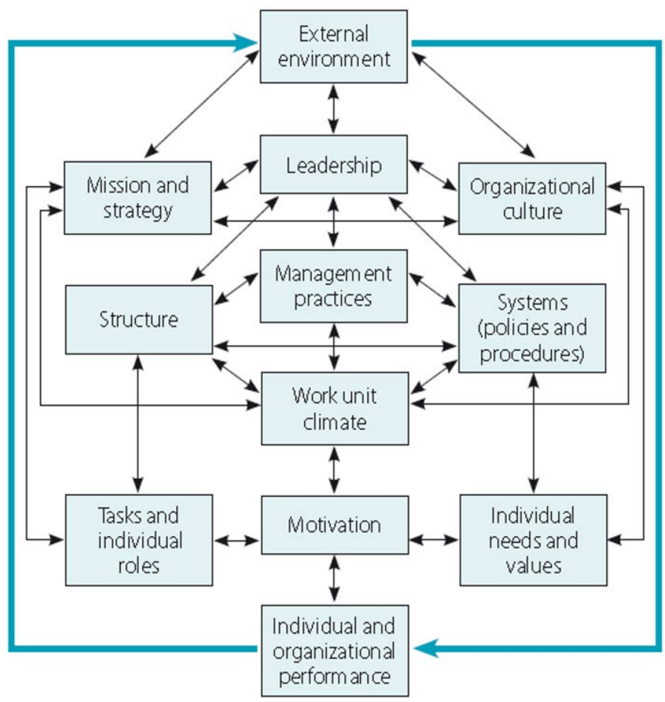
Source: Weisbord (1979: 9)

This open systems model acknowledges the importance of organization-environment relationships. However, it focuses more on what needs to be done inside the organization to ensure high performace and ability to adapt to external changes.

The Burke-Litwin causal model of organizational performance and change

This model considers the relative weight of individual organizational elements, as well as causal links between them, which have an impact on performance and the change process. It also differentiates between two types of change, **transformational** and **transactional.**

Picture 10: The Burke-Litwin causal model of organizational performance and change



Source: Burke & Litwin (1992: 528)

It is an open systems model made of 12 interrelated elements where inputs are represented by the External Environment and outputs by the Individual and Organizational Performance element. The rest of the elements show the transformation of inputs into outputs. Mind the feedback loops that exist between inputs and outputs. They demonstrate that the external environment affects performance, and at the same time, performance affects the external environment.

5.2 Gathering and interpreting information

The steps to diagnose need for change (Hayes, 2014):

- Selecting a conceptual model for diagnosis: the choice of a conceptual model requires appropriate attention, as it determines what kind of information and what kinds of behaviour we will focus on. The chosen conceptual model also serves as a basis for interpretation of the gathered information.

- Clarifying information requirements: after a model is chosen, further clarification is needed in terms of the key informational factors required for the model.
- Information gathering: this step begins with a decision regarding the methods employed in information gathering. There are a number of techniques available, such as interviews, questionnaires, observation, projective methods, unobtrusive measures, sampling and the use of secondary data.
- Analysis: collected data needs to be analysed. There are qualitative techniques (content analysis, force-field analysis) which focus on the meaning behind the data, and quantative techniques which focus on data with numerical significance.
- Interpretation: results of analysis need to be interpreted. For this, the conceptual model chosen at the start of the diagnosis process provides a basis. The goal of interpretation is to identify what needs to be changed.

Diagnostic information can be used to formulate action plans. To identify what needs to be changed, SWOT analysis or force-field analysis can be used.

Summary

This chapter described and compared the various models that may be used for organizational diagnosis, as well as the proces of gathering and interpreting the information required for a useful diagnosis. The main purpose of diagnosis is to identify and recommend possible improvements to the way the organization functions. For this, models are used to identify and isolate relevant types of information. There are two types of conceptual models, components models that focus on individual parts of the organization, and holistic models, which focus on the organization as a whole. After the relevant information types are identified, information is gathered and analyzed using appropriate techniques, and finally interpreted along the lines of the chosen conceptual model.

Questions for review

- What is the purpose of organizational diagnosis?
- How does organizational diagnosis contribute to decisions about strategy?
- What are the implications of Open Systems theory for organizational change?
- Why is the choice of a conceptual model at the start of diagnosis important?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

6 Patching. Restitching business portfolios in dynamic markets

Learning Objectives

The chapter introduces the concept of patching. Patching is a form of change in an organization that aims to quickly exploit market opportunities. A comparison of restructuring and patching is followed by a discussion about which market types are suitable for patching, and how patching can be done efficiently.

The chapter is based on the article by Eisenhardt & Brown (1999) *Patching. Restitching business portfolios in dynamic markets.* To acquire the necessary knowledge and skills, reading the above-mentioned article is recommended.

Time load

6 hours

6.1 Patching definition

Patching is a corporate-level strategic process in which managers re-draft businesses to changing market opportunities. It can take the form of adding, splitting, transferring, exiting, or combining chunks of businesses. Patching becomes crucial in turbulent markets. Through patching, corporate managers can focus their attention on the best opportunity, that is to say companies with high potential, and adapt business strategy to changing market opportunities.

Patching is not the same as reorganizing. Managers in traditionally perceive organizational structures to be stable, while managers who recognize patching believe in the temporary nature of structures. Corporate strategy is also created differently by patchers. Traditional managers set corporate strategy first. Patching managers first find a set of business opportunities and then allow strategy to become grounded in individual businesses.

Changes in patching often take place on a small scale and represent an evolution of the current state, as opposed to a revolution. When it comes to the size of individual business units, the patching view-point requires them to be sufficiently small to remain agile, but large enough to be efficient. Patching implementation follows certain principles. Patching needs to be done quickly, even at the cost of potential inefficiencies, with emergent problems being solvedn later. Picture 11 depicts the differences between reorganizing and patching.

Picture 11: Comparison of reorganization and patching

Reorganization Versus Patching

	Reorganization	Patching
Role of Change	Change as defensive reaction	Change as proactive weapon
Scale of Change	Changes are sweeping	Changes are mostly small, some are moderate, a few are large
Frequency	Changes are rare	Changes are ongoing
Formalization	Every change is unique	Change process is routine and follows standard patching moves
Driver of Change	Get business focus right	Get business focus and size right
Precision	Optimal restructuring at specific point in time	Roughly right realignments over time
Metrics	Collect fine-grained metrics only for infrequent reorganizations	Regularly track extensive, fine-grained metrics on modular businesses
Compensation	Not relevant	Companywide parity

Source: Eisenhardt & Brown (1999: 3)

6.2 Frequent, Routine, and Mostly Small Changes

Managers who are able to quickly configure resources into the right packages to shift the organization towards market opportunities are able to create value for a corporation beyond the sum of the companies. In a situation where managers are patching well, they can create companies composed of multiple business that achieve greater performance than even capital markets. Patching is an important, corporate-level strategic process that may create large value by dynamically changing and adapting the structure of businesses within the corporation.

As managers in companies often repeatedly perform the same moves, they have created routines that support the patching process. Examples include routines created for the selection of acquisition targets, the mobilization of special integration teams, the manipulation of share options, or the monitoring of employee retention rates.

Patchers execute changes of all sizes. In practice, managers make a lot of small changes, fewer moderate changes and a few big changes. For example, Dell is making small moves by the dividing the government business into state and local divisions. Sometimes Dell managers make a big step, such as when they tried to move their Asian business from a country focus to a channel focus.

Major changes are considered by managers to be more demanding than small changes, however, managers at patching companies usually execute large moves more effectively than traditional competitors. The attention of efficient managers is focused on high potential businesses, optimal margins and growth management.

6.3 Size Matters

Small business units allow managers to focus on the specific demands of key customer segments and to exploit niche opportunities for growth. However, too small units may be ineffective because they may have large overhead, need intense coordination, and face loss of economies of scale. Managing patch size is important for new ventures. For large businesses, it is important to dynamically respond to dynamic markets. Small changes in scale, up or down, can lead to a significant competitive advantage. Optimal patch size is also influenced by market uncertainty. Highly turbulent markets generally require focus and agility, and therefore support small size. Conversely, static markets are a ripe environment for economies of scale and thus support a large size. The boundary between agility and efficiency varies depending on market developments, and patching managers must follow these shifts.

If the company's infrastructure does not support the patching process, patching will not work. Patching process requires modularity, detailed and complete business-level metrics, and consistent companywide compensation. Organizations must have discrete and focused enterprise units. A complicated organizational structure will slow patching down. For effective patching, complete and detailed business-level metrics are necessary. These metrics provide business managers with a deep understanding of their business. They can also help anticipate the moment when a repatch is needed. Additionally, compensation for employees should be consistent across the entire corporation, as disparities in compensation between individual units make people unwilling to move between them.

Patching decisions should be done quickly, since long, slow processes of restructuring lead to negative emotions, anxiety, and politicking. This is one of the reasons why reorganization in traditional corporations is so difficult, politically charged, and rarely ever occurring. Policy minimization leads to higher speed and efficiency of the patching process.

Summary

Patching, if done right, may be a quick and efficient way to realign an organization and its elements, increasing performance and efficiency. It features changes in the organization's structure with the goal of better adapting to turbulent markets and efficiently exploiting emerging markets and opportunities. Patching generally happens in small, incremental changes, and as such represents an evolution of the organization, as opposed to a revolution. Effective patching happens in a short-term horizon.

Questions for review

- How can patching be defined?
- What is the difference between restructuring and patching?
- How does an organization's size impact patching?
- What are the conditions that enable a successful patching process?

Source:

- Eisenhardt, K. M., & Brown, S. L. (1999). Patching. Restitching business portfolios in dynamic markets. *Harvard business review*, *77*(3), 72–82.

7 Strategy as simple rules

Learning Objectives

Traditional approaches to strategy suggest that strategy should be a detailed plan of how an organization intends to reach its goals, including a recognition, exploitation, and maintenance of a long-term competitive advantage. However, these approaches fall short when markets undergo frequent significant changes, such as the electronics or internet services. In such markets, companies have recognized a need to change their approach to strategy, and adopted strategies based on a small number of simple rules. This enabled them to take advantage of short-lasting opportunities. This chapter discusses the simple-rules approach to strategy, its implementation and implications.

The chapter is based on the article by Eisenhardt & Sull (2001) *Strategy as simple rules.* To acquire the necessary knowledge and skills, reading the above-mentioned article is recommended.

Time load

6 hours

There are many companies, such as eBay or Yahoo!, which managed to succeed in seemingly very unattractive markets. They succeeded by employing strategies that constantly evolved. These were **strategies of simple rules.** These strategies are distint from traditional approaches by relying on taking advantage of fleeting opportunities, as opposed to exploiting stable resources and market positions. They enable companies to succeed on highly volatile and turbulent markets, and generally consist of a few key strategic processes and several simple rules.

7.1 Zeroing in on Key Processes

Companies with a simple rule-based strategy are often accused of lacking strategies. In fact, each company follows a specific, unique strategy which prevents them from being paralyzed by chaos. When creating a simple-rules strategy, a small number of strategically significant processes such as product innovation or new-market entry are chosen, and a few simple rules are created to guide those processes. For some companies, the choice of key processes may require a certain amount of creativity. A simple strategy creates guidelines that can be an opportunity for managers. The strategy is based on strategically important processes and a small number of simple rules that lead the strategy.

7.2 Simple Rules for Unpredictable Markets

Managers are trying to grasp the key concept of strategy focusing on the processes that represent the greatest opportunity. These strategies are usually routed by routines and lack a set of simple rules that are crucial to the organization. The simple rules position the company on what's called in complexity theory "the edge of chaos," providing just enough structure to allow it to capture the best opportunities. On a bigger scale, the simple rules, in particular the requirement that every engineer be able to work on every project, allowed Yahoo! to change 50 % of the code for the enormously successful My Yahoo! service four weeks before launch to adjust to the changing market.

Simple rules delineate boundary conditions that help managers sort through many opportunities quickly. The rules can be focused on customers, geography, or technologies. Many companies have timing rules that set the rhythm of key strategic processes. One of the key elements of a simple strategy is stimulation. **Timing rules** can help synchronize a company with emerging opportunities and coordinate the company's various parts to capture them. **Exit rules** help managers pull out from yesterday's opportunities.

7.3 The Number of Rules Matters

It is important to have the right number of the right rules. Thick manuals of rules can be paralyzing. In the case of a large number of rules, the organization is not flexible, and it becomes difficult to respond to changes in the market. But too few rules can also paralyze. If there are too few rules in place, managers can lose focus and play attention to too many opportunities at once or be confused about which targets to pursue and which to ignore. When creating the right number of rules, it is advisable to get information from all areas.

Young businesses usually have too few rules, which makes implementing innovative ideas very difficult, which means that they need to create structure and add rules. On the other hand, older companies often have too many rules, which makes them less flexibile and reduces their ability to compete in turbulent markets. These companies could benefit from eliminating complex procedures and applying simple rules.

The optimal number of rules for each company may vary over time depending on the nature of the business opportunities. In a predictable period, organizations should have more rules to increase efficiency. On the contrary, in case of an unpredictable situation, it is necessary to be flexible and use a smaller number of rules. Generally, the optimal number of simple rules ranges between 2 and 7.

7.4 How Rules Are Created

Where do simple rules come from? Simple rules are often based on experience and past mistakes. Yahoo! developed two simple rules for partnership creation: deals can't be exclusive, and the basic service is always free. In new companies that lack their own experience, managers use experience gained in other companies. Rules clarify which opportunities make sense.

7.5 Knowing When to Change

In general, it is a good idea to stick to the few simple rules after they are created. A consistent strategy allows quick evaluation of opportunities, which makes choosing the critical opportunities from which the firm can benefit faster. Eventually, however, the rules may become obsolete. A change of rules can lead to rejuvenation of the strategy in some situations, however, if the problems run deep, a change of the strategic processes themselves may be necessary. The ability to move on to new strategic processes quickly may turn into a competitive advantage.

Summary

The chapter discussed the merits of creating a strategy based on a few simple rules. Unstable environments require great flexibility, which can be achieved by relying on a small number of simple rules, whereas a stable environment requires a larger number of rules. Companies are forced to adapt their chosen number of rules to environmental factors. It is impossible to predict how long a company's competitive advantage will last, and as such, managers should be constantly on the lookout for new opportunities and maintain the necessary flexibility to make use of them when they are potentially profitable.

Questions for review

- What is the optimal number of simple rules for a simple-rules-based strategy?
- What is a simple rules strategy?
- How does the organization's flexibility depend on the number of rules applied?
- Where do simple rules come from?

Source:

- Eisenhardt, K. M., & Sull, D. N. (2001). Strategy as simple rules. *Harvard business review*, *79*(1), 106–119.

8 The role of leadership in change management

Learning Objectives

Leadership is regarded as the key enabler of the change process. Leadership is defined as a process that influences others in order to achieve the desired goals. This chapter reviews the role of leadership.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

8.1 Management and leadership

The difference between leadership and management is that leadership means “doing the right things”, whereas management means “doing things right” (Bennis & Nanus, 1985: 21). Kotter (1990) defines leadership as creating vision, communicating and aligning people to achieve the vision, motivating and inspiring people by recalling their needs, values and emotions. This chapter deals with the view that managerial work is increasingly a leadership task. It further examines what leaders have to do to deliver successful change, and considers the view that leadership needs to be viewed as a collective process.

Higgs & Rowland (2000, 2001) state five behaviors coupled with successful change implementations:

- Creating the case for change
- To ensure that change is based on an in-depth understanding of the issues
- To engage others and to build commitment
- Develop effective plans and good monitoring practices
- To facilitate and to develop the capality of those involved

Seven processes that leaders need to show to ensure change success:

- Sense making: identify relevant opportunities and threats and make sense of the world
- Visioning: define an enticing vision of the future and what needs to be done to achieve it. A good vision needs to be imaginable, desirable, feasible, focused, flexible and communicable (Kotter, 1996)
- Sense giving: communicate the vision to a bigger audience and react to feedback
- Aligning: support a shared sense of direction and enable people to cooperate
- Enabling: remove obstacles and create conditions that make the change possible
- Supporting: recognize and respond those who will be affected by the change
- Maintaining momentum and sustaining the change: show commitment to keep people devoted to the change

8.2 Leadership style

Early leadership literature suggests that some leadership styles were superior to others. The findings then provided a conceptual basis for Blake & Moutan's (1964) managerial grid which suggests that 'team management' is the most effective leadership style. Theories proposed by Fiedler (1967), Adair (1973) and Hersey & Blanchard (1977) suggest that the most effective leadersip styles are depended on situational factors such as the people, the task and the organizational content.

The leadership style highlighting the power of the emotional interaction between leaders and followers is called **charismatic leadership.** Antonakis (2012) argued that charismatic leaders communicate their vision in ways that are inspirational for others anad help them see old problems in new ways, rethink their ideas, work as a team, cooperate, *etc*.

Distributed leadership states that it is important to dissociate from organizational hierarchies and cascade the leadership down the hierarchy. Gilley *et al*. (2009) examine that top management are the ones who develop the vision and mission of an organization but usually the realization of the organizational vision and mission depends on middle managers who make operational plans and spread them to other employees. This leads to cooperation and a reduction of the importance of individual leaders' power.

Pascale & Sterin (2005) suggested that leadership needs to come from within a community. Leadership needs to be seen as a collective process. Dennis *et al*. (2001) claim that in events when power is split, change initiatives should be led by collective leadership groups when focus is on:

- Coherence and integrated collective leadership
- Fragility which is defined with regard to three types of "coupling" (strategic, organizational and environmental).

Summary

While it is recognized that a strong vision can make a valuable contribution to the success of a change initiative, some of the factors that might render the vision unfit for purpose have been reviewed. These include leaders making unrealistic assessments of opportunities and constraints and formulating the vision in a way that does not address the needs and concerns of key stakeholders. Attention has been paid to the activities that leaders can do to facilitate the realization of the vision and to incorporate this change. The second part of the chapter focused on distributed leadership.

Questions for review

- What five behaviors are associated with successful change implementations?
- Which seven processes contribute to successful change?
- What is the characteristic of charismatic leadership?
- What is typical for distributed leadership?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

9 Communicating change

Learning Objectives

Communication forms an important basis for leadership, stakeholder management, motivation and support for others. Leaders must be effective communicators to convey a convincing vision of a better future, to inspire and motivate others to make changes, to unite others through the same understanding or feedback. This chapter explores the value of a clear communication strategy and discusses several issues that require due consideration when choosing an approach to communicating change. It further examines some functions of communication networks, such as directions, roles, channels, content.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

9.1 The need for a communication strategy

When a change is communicated it is important to choose an appropriate approach and develop a **communication strategy** involving key issues and a set of communication goals. Without set communication goals it is difficult to recognize what information should be and needs to be communicated and how. Important factors when developing a change communications strategy include directionality, role, content and channel.

The management of change is usually a top-down process. However, upward communication is important because it brings valuable information from change managers that can help to straighten the need for change and later develop and implement plans for clarified change. Regarding the content of messages in the sense of directionality O'Reilly & Pondy (1979) point out some of consequences. There can be problems because senders can transmit information which is favourable for their performance, as opposed to information that is actually relevant. This attitude can lead to the fact that managers do not pass relevant information which might help others to understand what is going on.

Leavitt & Mueller's (1951) experiment suggests that two-way communication with free feedback produces better understanding of a message. Lateral communication can also help to continuous improvement. On the other hand, in some environments, silence may occur. This situation happens when some people are afraid to share information about problems with their superiors. The climate of silence can develop when (Morrison & Milliken, 2000):

- Leaders try to avoid negative feedback
- The nature of management makes it easy for senior management to ignore or dismiss feedback thanks to their implicit beliefs about employees. These are beliefs such as that employees are self-interested, untrustworthy or that dissent is unhealthy and should be avoided etc.

The state of silence can result in central decision-making excluding employees or absence of formal feedback. It can also elicit undesirable reactions from employees, affet creativity and undermine the quality of decision making.

9.2 Role

Furthermore, the communication of change can be influenced by the **roles** of organizational members. The "inter-role relationship" is important since a person would rather communicate certain things to a colleague than to external consultants or auditors. The nature of role can be viewed from aspects of isolation, boundary spanners, gatekeepers and playmakers. Trust between people with different roles has an important effect on the quality of the exchanged information.

Another important aspect of communication is **content**. Usually change managers communicate only information regarding strategic issues which can result in difficulties and reduce employee certainty (Allen *et al.*, 2007). For this reason, it is important to pay attention to the potential relevance of information that can be seen at first sight to be trivial. MacDonald (1995) differentiates internal and external information and highlights the importance of integrating external information into information which is routinely available to organizational members in order to improve organizational learning.

9.3 Content

Another issue with content is organizational justice. Colquitt *et al*. (2001) provide a list of ways of thinking about organizational justice. These are important when considering the content of any communications about the change:

- Distributive justice
- Procedural justice
- Informational justice
- Interpersonal justice

To spread information and its meaning is possible through various communication **channels** in different ways: written, electronic communication via email, tets, tweets *etc.*, face to face. It is necessary to choose the most suitable channel which fits the purpose of the message.

Clampitt *et al.* (2000) determine five basic communication strategies according to their experience and review of the literature as follows:

- Spray and pray
- Tell and sell
- Underscore and explore
- Indetify and reply
- Withhold and uphold

According to Hargie & Tourish (2000) it is important to carry out regular auditing of communications to check if communication goals are being fulfilled.

Summary

The quality of communications can have an important impact on the success of a change programme. Communication can affect early recognition of change or have a significant impact on the quality of collective learning. This chapter has considered the features of communication networks that relate to the management of change, reviewed a number of communication strategies, explored some of the factors that can deprive change managers of access to vital information, discussed the effect of interpersonal relations on the quality of communication, and considered how change communication can affect perceptions of fairness and justice.

Questions for review

- What is the key impact of communication on change?
- Under what conditions can a climate of silence develop?
- What impact do the roles of members of the organization have on communication?
- Which five basic communication strategies do we distinguish?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

10 Motivating others to change

Learning Objectives

One of the key skills in leadership is the ability to motivate others to support change. Organizations' change efforts often fail because those who lead the process pay little attention to gaining support from others who can influence the outcome. Those who lead the change need to get support for the change recipients. This chapter deals with factors that can influence the degree of support for change by individuals and groups.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

10.1 Organizational commitment and support for change

The way in which change is communicated has an impact on motivation. Studies have found that employees committed to the organization accept the need for change better (Oreg *et al.*, 2011). Thanks to a "psychological contract", which can be defined as an unwritten set of expectations between an organization and its members, an organization may expect employees to:

- Be loyal
- Keep trade secrets
- Work hard and do the best for the organization

Employees can expect in return (Hayes, 2014):

- An equitable compensation
- Fair and dignifying treatment
- Have some level of security of employment
- Have some level of autonomy
- Have an opportunity to learn and develop

Otherwise if employees feel that the organization does not appreciate their work, they can invest less effort in the work, be less innovative and less inclined to react to the innovations or changes.

There are four main reasons why organizational members try to modify or resist proposals for change: low trust, low tolerance for change, different assessments of the need for and consequences of the change and narrow self-interest. On the other hand, change leaders have various options how to minimaze resistance and increase motivation (Hayes, 2014).

One of the techniques minimizing resistance is using rational arguments and technical evidence in order to educate people why the change is necessary. Zaltman & Duncan (1977) define "educative" strategies as ones which provide a relatively objective presentation of the facts providing rational justification for action. Another effective way how to show people the need for change is their involvement. It is recommended to involve other employees in collecting information, analysis and presentation because this information is more valuable than ones presented by externals. Facilititation and support are also concerned as motivational approaches to recognize the need for change. Goal setting can also affect the motivation to support change. Other ways of motivation the change involve negotiation, manipulation and co-option and explicit and implicit coercion.

Expectancy theory studies how expectations influence motivation. It provides a framework for assessing whether a stakeholder is willing to support or resist coming change. Theorists supporting expectancy (eg. Vroom, 1964; Porter & Lawler, 1968) suggest that behaviour is based on two factors: the attractiveness of outcomes and expectations about the achievement of valued outcomes. From the motivational point of view the expectation or belief about relationship between effort, performance and valued outcome determines if a stakeholder is motivated to support or resist a change. Equity of outcomes of stakeholder expectations can be added to the model. If stakeholders think they will receive more favourable treatment compared to others as result of change, it will affect their assessment. To extend the model even further key factors affecting performance expectancies can be added: stakeholder's understanding of performance and the rules that control how performance should be created.

10.2 Assessing the availability of valued outcomes

First step to evaluate how stakeholders will respond to change is to determine what effect the change will have on the availability of valued outcomes. The assessment gives first indication if stakeholder will support or resist the change and shows the extent to which they will probably be motivated to carry out the change in ways contributing to organizational effectiveness. Each person values different outcomes, the more is known about a stakeholder, the better we can predict whether he will support the change. The outcomes that might be important to stakeholders include: pay, working conditions, interest/meaningful work, autonomy, power and influence, belonging/involvement *etc.* (Hayes, 2014).

Whether a stakeholder will support or resist the change depends on the following (Hayes, 2014):

- Their ability to bring satisfactory level of performance in the changed situation
- Whether a satisfying level of performance will lead to the desired results of valued outcomes in the changed situations
- Whether the net benefits will be fair compared to the net benefits accumulated to comparable others in the changed situations

When stakeholders perceive that they will be able to deliver a satisfactory performance, and that their performance will be linked with their valued outcomes, they will support the change process more.

Summary

This chapter considered how the general level of commitment in an organization can affect the extent to which organizational members will support new initiatives. The experience of people associated with the previous change can affect their level of determination and willingness to support other changes. Employees devoted to the organizational change will support the change more than disloyal employees. Resistance to change can be viewed as feedback which can have functional value. Leaders can do a number of things to minimize resistance, including persuasion, participation, facilitation and support, negotiation, manipulation and co-option, explicit or implicit coercion, and goal setting.

Questions for review

- What is a psychological contract?
- What is characteristic of expectancy theory?
- What determines whether an employee will support or resist change?
- What techniques can managers use to boost support for change?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

11 Supporting others through change

Learning Objectives

When making changes, leaders must be cautious and try to understand the feelings of others and to encourage others to remove the doubts about change. It examines the individual's response to change as a progression through a number of stages of psychological reaction. It also seeks to understand individuals' responses to change to help plan change and make changes in ways that maximize benefits and minimize costs.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

11.1 The nature of personal transitions

Personal transitions are the ones which last in their effects, take place over a relatively short time and affect the ways in which people view and interpret reality. One example of personal transition is loss of employment. Parkes (1971) argues that this loss deprives a person of a sense of identity, a source of pride and self-esteem. This situation will cause an individual to begin a cycle of changes to find new harmony between himself and the changed environment.

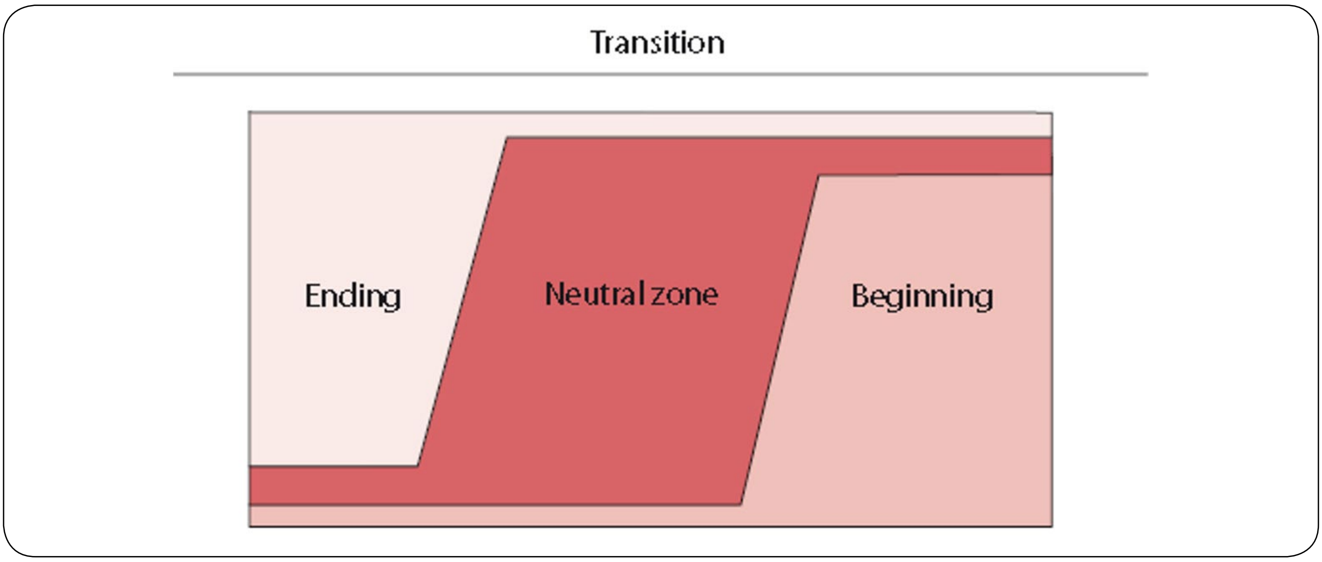
Personal transitions need those who are affected to embrace some kind of coping behaviour. Holmes & Rahe (1967) created a social readjustment rating scale. The scale attributes mean values to the degree of alteration required after individual's life experience.

11.2 The process of personal transition

Organizational change includes the end of something and the start of something new. Even though these events are carefully planned, it takes some time for those involved to adapt. It is important for managers to develop an understanding of how people react to change.

Bridges (1980, 1991) established a model conceptualizing personal transition as beginning with an ending and after that going to a new beginning through a neutral zone. Each phase of the model can overlap, there are no clear boundaries. Furthermore, an individual can experience more phases at the same time. Neutral zone presents an in-between state: it includes perception of the need to change and uncertainty about end states. This period is accompanied by disorientation, self-doubt and anxiety, on the other hand it can be accompanied by growth and creativity.

Picture 12: Bridge's model of transition



Source: Bridges (1990: 70)

People experience various emotional and cognitive states during change. There are seven transition stages (Hayes, 2014):

- Awareness/shock
- Denial
- Depression
- Letting go
- Testing
- Consolidation
- Internalization, reflection and learning

11.3 Implications for individuals and change managers

Hayes & Hyde (1996) outline some implications for individuals and change managers who experience transition.

For **individuals**:

- It takes time to adjust to transitions
- It is good to know for them that their experience is normal, it contains ups and downs and finally it comes to an end
- The process can be controlled, there are things that can be used to simplify transitions

For **change managers**:

- There will always be time lag between the release of a change and an emotial reaction to it
- There will be different implications for different individuals of groups, different parts will be at different rates and ways in the cycle
- Change managers will probably be at a different stage than organizational members, they usually know about the change earlier, they tend to reach an acceptance of change earlier than others. It can lead to ineffective communication
- The cycle cannot be bypassed, however, there is a lot that change managers can do to simplify people's passage

11.4 Facilitating progress through a transition

Change managers can help organizational members to adapt to discontinuous changes such as mergers, acquisition, downsizing and restructuring. Leaders have to help others move through stages of psychological reaction to prevent them from becoming stuck at a particular point in the process. There is a list of possible interventions, depending on which stage the **transition process** currently is (Hayes, 2014):

- **Shock**: it can be minimized by preparating the ground and creating a climate of receptivity to change by providing well-timed information and opportunities involved in relevant decision making
- **Denial**: change managers can help people in denial by gently and supportively confrontating what is being denied, repeating the message, drawing people's attention to related examples, evidence and experience, finding ways to make sure they have enlist with the reality of the change, taking recent actions, breaking barriers by getting people to accomplish things related to the change
- **Depression**: leaders can provide support, listen, adopt uncritical reactions to expressions of feelings.
- **Letting go**: leaders can help to overcome the past by explaining the need for change by pointing out benefits rather than problems, setting challenging targets leading to a more desirable state, highlighting the deadlines, reducing the symbols from the past, pointing out the end with ceremonies or leaving parties, permitting people to take souvenirs home.
- **Testing**: developing the space, time and resources necessary to test, promoting creative thinking, helping people classify options, promoting risk-taking and experimentation etc.
- **Consolidation**: can be simplified by auditing performance and learning, helping others to classify wanted characteristics of the new state, recognizing and rewarding achievement, getting people to help others and share the experience, helping people to build on successes and broadcasting them.
- **Reflecting, learning and internalization**: can be simplified by helping people to audit the experience of change, carrying small formal post-implementation reviews, getting people to tell stories and share experiences.

Summary

The attention of this chapter was devoted to the way organizational members change. Organizational changes include personal transitions for all people affected and changes in situational factors such as technologies, structures, and systems. If organizational members do not adapt to the new situation, new structures and systems may not work as planned. Individuals can be confronted with incremental or discontinuous changes.

Questions for review

- How would you characterize personal transitions?
- What are the characteristics of the process of personal transition?
- What are the implications for individuals experiencing transition?
- What are the implications for change managers experiencing transition?
- What stages is the transition process composed of?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

12 Implementing change

Learning Objectives

Implementation involves changing plans into real change efforts. Implementation is not a one-time activity. This is a continuing effort often associated with other activities such as dignity and planning. Sometimes it may be difficult to distinguish the realization from diagnosis and planning, especially if an attempt to make a change does not yield the expected result. The chapter examines the nature of implementation and identifies certain aspects of implementation.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

12.1 Implementation in theory and practice

The basis of the process control concept is the model of change, which is composed of seven main activities (Hayes, 2014):

- recognize the need for change and start the change process
- diagnose necessary changes and formulate a vision of the preferred future state
- planning how to achieve the desired change
- implementing plans and reviewing progress
- sustaining the change
- leading and managing people issues
- learning from the experience

Some form of value creation creates a motive for most acquisitions. The most common strategic value-creating goals include market penetration, financial synergy, market entry, market protection, product expansion, expertise, access to resources, vertical expansion, managerial expertise and economies of scale (Hayes, 2014).

The first step in the process of identifying a suitable acquisition target is to clarify the acquisition targets followed by a due diligence process to assess whether the acquisition will deliver the expected added value. The outcome of the first step of the implementation process is influenced by several factors. Examples of factors can reduce the scope and complexity of the problem, the fragmentation of the data collection process, or relatively simple assessment of some issues compared to others (Hayes, 2014).

According to Jemison & Sitkin (1986), the complexity of the need to assign an analysis to individual members of the purchasing team or the analysis is delegated to external experts. The result of segmentation and delegation is to increase the influence of external specialists, who are in charge of assessing strategic relevance from a financial viability perspective. In some cases, little attention is complicated by the synthesis of contradictory analyzes to achieve the desired result.

Gathering all the necessary information to assess the quality of compliance between two organizations and determining the likelihood of achieving the required level of integration at a reasonable price can be difficult. Where confidentiality is required, it is difficult to obtain information about the target company's talent, determine the compatibility of IT systems, or collect information about the organizational culture of goals. On the other hand, the information needed to assess the financial health of the target company is usually disclosed. A situation may not pose a problem where the target is focused on financial synergy, and the firm has financial data for the target company, but it does not have another informations (Hayes, 2014).

According to Marks & Mirvis (2001), the idea of a purchasing team is an important success factor in the acquisition. Their research revealed that in less successful cases, buyers tended to show a vision of the financial tunnel. The attention of their research was focused on the number and on what the target was worth. Their decision to do a deal was framed in terms of the combined balance sheet of the companies, projected cash flows and hoped-for return on investment. The more successful cases were associated with the adoption of more strategic thinking by buyers and the position of financial analysis in the set of strategic goals.

Marks & Mirvis (2001) in their research, they found that the buyer's attitude was linked to the composition of the purchasing team. Members with financial background tended to assess potential acquisition targets from the perspective of the financial outlook and to assess possible synergies based on financial models and ratios. Hard criteria prevailed. If buyers have good numbers, problems with organizational and cultural differences tend to be ignored. In a buy-in situation involving influential members with operational and technical backgrounds, there is a great chance that synergies will be clearer and their value will be more realistically evaluated and will play a crucial role in the decisive timeframe.

Jemison & Sitkin (1986) argue that the acquisition process is usually an increasing momentum leading to premature solutions to the lack of attention to the quality of organization and the integration process.

The degree of integration sought between the parent (acquiring) and target organizations is an important question. Hubbard (1999) presents a continuum of integration possibilities ranging from the acquired firm being given almost total autonomy to full integration. The four possibilities are:

- total autonomy
- restructuring followed by financial control
- functional integration
- full integration

In Hubbard's opinion (1999), the integration goals determine the strategic goals of the acquisition management. If a goal is to achieve economies of scale, a degree of overall or functional integration may be necessary. If the organization's goal is to achieve economies of scale, the necessary element may be a degree of overall or functional integration. Hubbard (1999) lists an example of a construction company acquired by another construction company to achieve two strategic goals: market penetration and economies of scale. This will reduce competition and consolidate the position of the acquirer in the market.

According to Hubbard (1999), the acquisition blueprint takes the acquisition overview and divides it into task-specific actions that can be managed on a project-byproject basis. The acquisition plan specifies the steps to be taken, the timing of the steps to be taken, the type of responsibility of each member, and the course of action.

12.2 Managing the people issues

Hubbard (1999) argues that communication planning for an acquisition is important for four reasons:

- to maximize the likelihood of successful communication on the day of announcement
- to coordinate the communication of 'secret' information during the early preacquisition phase, while continuing to communicate openly about day-to-day operational matters
- to coordinate internal and external messages
- to provide a contingency plan if early negotiations are leaked

An ambiguous acquisition environment creates differences between groups and raises attitudes of victory, confusion, anxiety, and a general climate of mistrust. Effective communications, which are often absent in the organization, can reduce uncertainties disturbing organizational members. Reasons may be more. Changing people may be reluctant to communicate information because they fear that unexpected events may cause this information to be incorrect. They may also be worried about the loss of their ability to flexibly respond to changes, warnings of competitors, or leaving employees. Lack of information among employees creates confusion and anxiety among employees. In the event of later entry of managers into the acquisition process, in order to reduce uncertainty, only limited success can be achieved because employees are suspicious and distrustful (Hayes, 2014).

Mitigation can be achieved by providing clear and unambiguous information to all employees about what will change as a result of the acquisition. Hubbard (1999) noted that organizations with successful acquisitions tend to have sophisticated communication strategies for resolving internal and external stakeholder organizations. Good communication is important throughout the process, especially on the first day, because that day creates an impression that then affects the interpretation of all subsequent events. Such communication requires considerable planning before the acquisition.

The provision of unambiguous information about what will change can help reduce employees' perceptions of possible dysfunctional outcomes and produce higher levels of organizational commitment. Schweiger & DeNisi (1991) pointed out that new employees in a merger and acquisition organization face a high degree of uncertainty that may result in dysfunctional results. New employees who receive previews tend to be more satisfied with their jobs and more committed to their organizations, experience less stress, and less likely to leave than employees socialized through more traditional methods (Premack & Wanous, 1985).

Research results show that open communication can reduce uncertainty and increase employee perception. According to Hubbard (1999), people expect changes, such as redundancies, relocations or changes in workflow, after the acquisition. These changes are readily accepted by employees if they are informed of events that occur and are treated fairly. Employees prefer the truth to fabulations.

Change managers need to be aware how the change will affect others and how this will influence their commitment and willingness to support the change. People in charge of making changes need to be aware of how to handle the political dynamics of the situation, as change may jeopardize the interests of some stakeholders, which may lead to motivation to resist change (Hayes, 2014).

Acquisition notifiers must implement a way of communication that promotes a common sense of direction and adapts people to the ability to coordinate work on the realization of a new vision. It is especially important for those who are responsible for dealing with certain aspects of change. If the change is complex and requires the implementation of a number of separate projects led by different managers, robustness can cause difficult coordination of progress and cause confusion and loss at the moment when leaders do different evaluations of what is required and prefer different goals (Hayes, 2014).

According to Allen *et al*. (2007), trust can be promoted by management practices such as participative decision making, support and the meeting of expectations. Before making a decision, organizational members evaluate and expect to receive reasonable and accurate information. Many members want to be able to express their concerns and contribute to the decision-making process. Procedural justice and support for feelings of trust play an important role. If members feel they have been treated fairly, the probability of dysfunctional behavior is minimal. This relationship also works in the opposite way. In a situation where employees perceive injustice, for example in terms of pay, assignment of roles and resources, relocation and severance pay, it may have an adverse impact on their morale, organizational commitment and performance.

Equity theory (Adams, 1963) argues that motivation is a function of fairness in social exchange. Theory claims that people, when they feel unfair treatment, take corrective action, which may include behaviors that hinder the acquisition. Greenberg's (1990) study has suggested that people respond better to bad news in a situation where they believe leaders are sensitive to their opinions, decisions are adequately explained and justified and applied consistently and without distortion.

Even the good intentions of change workers can be undermined if they are under pressure for a quick win. As a result of implementing the change through the acquisition, members of the acquiring company can respond quickly if they feel they are managed in a difficult way (Hayes, 2014). In a situation where members of the acquired company experience a feeling of incompetence during the implementation phase, they usually do not respond positively to the acquisition. Guest (1998) argues that people who feel fair treatment contribute more to the organization than is contractually obliged. The high level of organizational behavior of citizens has a desirable effect after gradual acquisitions, as it can contribute to greater flexibility of employees and help adapt to the unavoidable increase in workload.

Employees develop global beliefs about the extent to which the organization values them and cares about their wellbeing. According to Rhoades & Eisenberger (2002), belief affects the degree of membership of an organization in its social identity. Acquisitions are often experienced as discontinuities that disrupt the current equilibrium.

Summary

Rarely, implementation is a one-time process. It is usually associated with other ongoing activities, such as diagnostics and planning. In a situation where an attempt to make a change does not achieve the expected result or close linkage of activities, it may be difficult to distinguish the implementation from diagnosis and planning. Failure to achieve the desired result can provide relevant information to those who lead the change with new knowledge. Chapter examined implementation in the context of one company acquiring control of another and used this case to highlight some of the factors that can affect the success of any attempt to implement change.

Questions for review

- Which seven activities is the model of change composed of?
- What is the impact of the sense of justice on acquisition?
- What role does equity theory play in the process of change?
- What are the circumstances that allow dysfunctional behavior to arise?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

13 Reviewing and keeping the change on track

Learning Objectives

The focus of the chapter is on the process of reviewing the progress and context of providing feedback to managers. Feedback can be used to assess the plan, the effect desired, or the validity of the plan. Last but not least, attention is paid to ways of measuring performance and leeway monitoring to determine how they respond to change.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

13.1 Managing the implementation stage of the change proces

In practice, we distinguish two main approaches to implementation:

- Implementing blueprint change
- Implementing emergent change

In case of **implementing blueprint change,** change managers are able to formulate a clear action plan to achieve a vision, as the required status is known in advance. Implementation involves rolling plan, monitoring the effect of interventions and taking corrective action. The validity of the plan is generally considered to be a matter of course. Learning associated with this kind of change often tends to confine itself to finding and correcting mistakes in the sense that the plan is developed (Hayes, 2014).

In case of **implementing emergent change** it may be difficult or impossible to specify an end point in advance. Change managers are forced to develop an implementation plan based on generally defined goals and the general direction of change. Due to a high degree of change in the operating environment, managers are constantly forced to revise the concepts of expected future status, ie to adapt to the situation. Managers are forced to adopt an open approach to planning and implementation. Challenging the validity of the required future state requires learning with double-loop learning that contains challenging assumptions to support the change plan (Hayes, 2014).

13.2 Monitoring the implementation of the change plan

A plan for change reflects a set of hypotheses about cause and effect. According to Kaplan & Norton (1996) the process of measurement and revision is a way of clarifying all these hypothetical relationships. In their view, the change process can be easier to manage as soon as the hypotheses are clear and formulated and widely understood. Part of the management process is the validation or revision of the assumptions and hypotheses that form the basis of the change plan. The required future status is a picture of the measures taken in the change plan. Achieving the desired result is determined by the performance drivers.

In some cases it is more difficult to draw up a change plan compared to the assumptions. The change manager should respond to the situation and identify the braking factors. In the case of braking factors, there may be a lack of motivation or commitment on the part of the makers of change. There may also be a lack of political support when individuals are unable to promote or sabotage change. Last but not least, the lack of funding can be a problem (Hayes, 2014).

If managers change the decision to make a change from the original plan, they must be careful to reach the original set goal. Unexpected manipulation can lead to an unexpected effect. At the outset, the manager should attempt to modify the current status to improve his performance. This effect can be achieved by the manager through improved group relationships (Hayes, 2014).

In a situation where the change to the original plan does not reach the set goal, the change manager usually challenges the supposed relationship of cause and effect between poor conflict management skills and a high level of inter-ministerial conflict. This challenge may point to other potential problems associated with changing the original plan and lead the manager to consider how the plan changes (Hayes, 2014).

In practice there are examples of interventions that have been carried out in the way they were originally intended and these interventions have produced the desired effect. However, the resulting chain of events could have little or no effect on the organization's overall performance. In practice, it is possible to encounter cases where interventions were carried out according to the intended plan, triggered the desired effect and positively influenced organizational performance. The positive result obtained indicates the need to consolidate that success. This success can serve as a basis for further performance improvement (Hayes, 2014).

13.3 The role of performance measures in the management of change

A number of control systems are set to reward current practice and motivate people to invest their efforts in organizational change to increase the long-term efficiency of the organization. The monitoring and feedback process only focuses on a limited set of performance measures. The problem of most organizations is to focus attention only on financial considerations and low attention to other performance indicators that relate to important results and serve as a basic plan for change. In 1987, Analog Devices created a "corporate statement" as a result of the effort to expand the performance monitoring base on an organizational and systematic basis. The corporate statement tracked financial measures, customer deliveries, quality and time cycle of production processes, and the efficiency of new product development.

According to Kaplan & Norton (2004), companies began to be interested in new ways of monitoring performance when they recognized the importance of knowledge assets (employees, information technology) as a determinant of competitive success. Managers' attention is often devoted to areas that can be measured, but managers are unable to manage what is unchanged. A performance management system is important for managers, which measures the way assets are used. This step provides the basis for a "balanced scorecard" (Hayes, 2014).

The balance scorecard (Kaplan & Norton, 1996) combines financial measures from past performances with future performance measures. Managers submit a template that can be used to provide the information they need to track. It also allows managers to monitor and review the effects of their interventions and to plan and how they can move the organization towards the desired future state. The balanced scorecard consists of four perspectives:

- Financial measures
- Customer-related measures
- Internal business process measures
- Innovation and learning

The balanced scorecard approach can be focused on drivers and measures that are important and necessary in a given situation as a change management tool to clarify and gain consensus on a change strategy. Introducing vision strategies and changes to the required set of operational goals will most likely ensure the development of a common understanding of the team what the organization wants to achieve. Developing a shared view of how and why changes are linked to causes and consequences can help to identify operational goals (Hayes, 2014).

Testing the validity of the causes and effects contained in the change plan will allow feedback to change managers to get information on how an organization or an organization unit works. Kaplan and Norton (1996) demonstrate an example of Echo Engineering, where employee morale correlated with a number of important performance indicators.

Several studies demonstrate the link between a favorable perception of employees and the excellent performance of a company. In his research, Koys (2001) concluded that the satisfaction and commitment of employees in the chain of restaurants was positively linked to profitability. Patterson *et al*. (2004) highlighted the relationship between the climate of society and productivity. According to Heskett *et al*. (1994) presents customer satisfaction as a critical intervention variable in terms of employee-to-profit ratios. The basic assumption is that employee satisfaction positively correlates with employee commitment and increased engagement increases customer satisfaction and motivates customers to stay in touch with the company. This leads to the growth of revenue and profitability.

Management tools (balanced scorecard) make it easier to create a shared view of why and how to change goals and also help managers communicate their plans within the organization. They also provide the basis for consultation and discussion of the future state of the desired goal and what needs to be done to achieve the stated goal. The management tool can also help to reconcile the scope for changes to initiatives in different units and at different levels of organization. It is also appropriate to contribute to the strategic objectives of the change program. In each program of change, the plans must be implemented, and the goal of change must be set as clearly as possible (Hayes, 2014).

13.4 Reviewing how people are responding to the change

In the long run, change managers may use measures such as customer retention, customer retention and the bottom line to assess the validity of the change plan. In a shorter time-horizon, it is advisable to focus attention on the control of the intervention to determine whether the intervention is in line with the prudent strategy and whether it produces the immediate expected results. Collective perceptions of employees about the way in which changes are made and their impact on their experience and attitudes to change can serve as a source of feedback (Hayes, 2014).

The ways in which changes are managed can have a significant impact on how organizational members are experiencing change, attitudes to change, and their readiness to support change. In the event of a lack of attention regarding the change of management, the change or the change in time may be adversely affected. It can also interfere with work ethics and devotion to the organization or damage to reputation (Hayes, 2014).

Summary

The chapter dealt with how monitoring and control can make changes and help managers adapt the change plan to ensure that the organization moves to the desired future state. Attention has been paid to the type of managers who need to change the information to determine whether the interventions are carried out in accordance with the intended plan and whether the expected effect of the change has occurred. Assessing the continued validity of the change plan and updating it as needed is particularly important in handling new changes.

Questions for review

- What are the two main approaches to implementation?
- What role does performance play in measuring change?
- How can we monitor the implementation of a change?
- How can we use the balanced scorecard method for implementing change?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

14 Making change stick

Learning Objectives

Lewin (1951) argued that it is not enough to think of change in terms of simply reaching a new state, that attention should be given to preserving the new state throughout its life. He conceptualized change as a three-stage process. This chapter reviews evidence from different sectors, which indicates that it is often difficult to achieve Lewin's stage of refreezing and sustaining change. After discussing two aspects of sustainability, this chapter takes a closer look at 'stickability' and what managers can do to consolidate a change and hold on to gains.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

14.1 Sustainability

Sustainability has been defined in many ways. Some definitions focus on improving performance independently of the methods used, while others deal with the introduction of new processes (Buchanan *et al.*, 2005). Some definitions are static (aimed at spurring improvements in a certain environment) and some are dynamic (this is a translation of initial gains into continuous improvement processes). Dale (1996), for example, defines sustainability in terms of increasing the pace of improvement while holding the gains made.

Bateman & David (2002) developed a model to investigate the level of sustainability achieved in 21 companies following intensive shop-floor process improvement interventions. Their model operationalizes some of different ways of conceptualizing sustainability. The model contains two elements. The first identifies five different levels of sustainability at cell level. The second element of the model focuses on factory-level improvements and identifies the degree to which tools and techniques have been spread between cells. The two elements are:

- Cell-level sustainability
- Sustainability at factory level

Research suggests that, although many initiatives for change are successful, there are large differences in sustainability. Kotter (1995) lists a number of examples where no change has been made, for example, the gains made in ten of the twelve change reforms are vaporizing because the state of "victory" has been declared too early. Sustainability can be affected by what change managers do early on and towards the end of the change process.

According to Lewin (1951), the behavior of an individual or a group can cause change. Behavior can be changed either by adding force to change in the desired direction or by reducing opposing or strong forces. If there is a change in the forces requiring change, the stresses that are experiencing changes affected by the change increase. If it happens above a certain level, it may be accompanied by high emotionality and low levels of constructive behavior. If managers are putting enough pressure on them, people are unable to follow the set behavior. On the other hand, when the change is caused by a reduction in forces that prevent change, the secondary effect is likely to be relatively low.

Lewin (1951) argued that approaches that reduce limiting forces are likely to generate a commitment and create a pull effect that will lead to more lasting change. These principles support action research. This approach to improving performance is rather from bottom to top. Recognizes that many people may have information that is relevant to issues that hamper performance and is trying to involve them in the process of change.

14.2 Promoting sustainability later in the change proces

Successful change efforts can be undermined because too little attention is given to holding on to gains once the change objectives appear to have been achieved. Kotter (1995) argues that change managers should use the credibility provided by initial winnings to continue and modify some structures and systems that may conflict with the organization's vision. Attention must also be paid to the attitudes and priorities of those affected by the change. Fine *et al*. (2008) claim that too many companies emphasize the technical aspects of change and neglect a number of related more mild issues. Organizations are in a hurry to implement change without first ensuring staff and managers' readiness to adapt to change. Engaging people at an early stage can help to gain their loyalty and devotion.

According to Kottera (1995), the change continues to be based on the social standards and shared values of the organization. Otherwise, the change will be subject to degradation. Kotter (1995) emphasizes the importance of feedback. Feedback can help keep people's efforts and avoid misconceptions. Feedback also facilitates monitoring and control, and effectively contributes to maintaining change. Change managers need to work with business executives who will be continuously responsible for day-to-day management after implementation. Operational managers design feedback mechanisms that they will monitor and manage. Kotter (1995) argues that it is essential for a new generation of executives to support a new approach. According to Bateman (2005), the two most important categories of sustainability are:

- processes for promoting 'contribution and buy-in' during the early stages of implementation
- processes promoting 'maintenance of standards and continuous improvement' once the initial changes had been successfully implemented

Brown (2009) surveyed the opinion of 15 fellow change consultants at KPMG about sustainability and found that 65 per cent of their comments focused on three barriers to sustainability:

- the organization's approach to change
- the quality of leadership
- employees' level of understanding about what was expected of them following the change

Buchanan *et al*. (2005) identify several categories of factors that affect different sustainability patterns. The context of the situation determines the relevance of these factors. He outlined three issues affecting the extent of the initiative decay:

- How the change is perceived
- How the change is implemented
- The timing, sequencing and pacing of the change proces

Buchanan *et al*. (2007b: 259) identified 10 recurrent problems and offered practical advice about how each might be addressed.

- Those who initiated the change move on to another organization
- Accountability for development becomes diffused
- Knowledge and experience of new practices is lost through turnover
- Old habits are imported with recruits from less dynamic organizations
- The issues and pressures that triggered the change initiative are no longer visible
- New managers want to drive their own agenda
- Powerful stakeholders are using counter-implementation tactics to block progress
- Pump-priming funds run out
- Other priorities come on stream, diverting attention and resources
- Staff at all levels suffer initiative fatigue and enthusiasm for change falters

Summary

Lewin conceptualized change as a three-stage process. The first involves unfreezing and creating a readiness for change. The second involves moving to a new state, and the final stage involves refreezing behaviour at this new level, for as long as it is beneficial to do so. This caveat is important because there are circumstances where it may not be beneficial to continue to maintain a change. Sustainability has been defined in many different ways. Some definitions are relatively static, focusing on the maintenance of improvements within a particular setting, whereas others are more dynamic and are concerned with translating initial gains into a process of continuous improvement.

Questions for review

- What is the definition of sustainability?
- What are the two elements of sustainability?
- What is the benefit of sustainable change?
- What affects the decay of initiative in a change process?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

15 Spreading change

Learning Objectives

This chapter looks at 'spreadability', the extent to which new methods and processes that have delivered gains in one location are applied, or adapted, and then applied elsewhere across the organization. Attention is given to what managers can do to promote the spread of change.

The chapter is based on the book by John Hayes (2014) *The theory and practice of change management.* To acquire the necessary knowledge and skills, reading the above-mentioned book is recommended.

Time load

6 hours

15.1 Spreading change

Containment is a problem that affects many organizations. Developed innovative methods and processes can work without problems in one organization, but others can cause problems. This phenomenon is often referred to as the "best practice puzzle" (Szulanski, 2003). Walton (1975) describes eight projects that involved work restructuring and the enlargement of the workers' scope for self-management. Only one of these eight projects, at Volvo's assembly plant in Lundby, was followed by similar changes elsewhere in the organization.

The innovation process from the users perspective is focused on implementation. Klein & Sorra (1996) describe the implementation phase as a "critical gateway" between the decision to accept a new way of work and the routine use of new methods, structures and processes. Implementation is affected by the following factors:

- attributes of the innovation
- attributes of the organization
- the values of the potential or targeted users of the innovation

15.2 Attributes of the innovation

Greenhalgh *et al*. (2005), Tornatzky & Klein (1982) and Walton (1975) submite a list of attributes that can help explain why some innovations of methods and workflows are spreading in the organization, while some method innovation continues to exist in only one part of the organization. Rogers (1995) suggests attributes that contribute to a greater likelihood of spreading innovative methods within an organization:

- Advantageous when compared with existing practices
- Compatible with existing practices
- Easy to understand
- Observable in demonstration sites
- Testable
- Adaptable to fit local needs

Attributes, as perceived by potential users, are not fixed qualities. It is a perception that can change. Providing potential users with more information may help to change their views. Perceived complexity might be addressed by breaking the innovation down into separate, more manageable parts that could be introduced on an incremental basis.

There is no consensus on opinions on the value of adapting innovation to meet local needs. Szulanski & Winter (2002) argue that if the goal is to capture and control existing innovations, existing procedures should be copied to prevent "spread errors." Spread errors arise when those responsible for disseminating a new practice assume they understand what it is about the new practice that delivers value. A great deal of detail about new work practices may be invisible because the critical elements of innovation can be known by the staff in the organization, but this knowledge is not shared with superiors.

Another critical element may be tacit knowledge. These are learned and well-known knowledge of those involved in the project. There may be some elements of the innovation that are deliberately kept secret because they make individual workers' jobs easier or they run counter to an organization's formal work rules (Szulanski & Winter, 2002).

According to Buchanan & Fitzgerald (2007) there is no best way to spread innovation. They argue that in health, many innovations involve introducing changes into multifaceted and complex operating environments where it is unlikely that new cumulative practices could be easily codified and copied from one place to another. Locock (2001) argues that "re-inventing the wheel" can be a vital part of creating a climate for change and gaining ownership.

15.3 Attributes of the organization

Greenhalgh *et al*. (2005) pay attention to the political aspects of the organizational context. In their view, attention should be paid to how different stakeholders are looking at the attribution of innovation. Walton (1975) has defined an aspect in the context of innovation the "star envy syndrome". The essence is how people are motivated to accept innovation and how innovation can influence them. According to Klein & Sorra (1996) promotes the proliferation of innovation a strong supportive implementation climate. The authors argue that in order to create effective implementation, it is necessary to achieve the double influence of the organizational climate on implementation. What is also important is the idea of how users perceive consistency between their values and innovations.

15.4 The values of potential users

According to Klein & Sorra (1996), value and perception of users represent the key attribute that influences motivation to accept innovation. Individual values and perceptions of the situation determine whether or not to support innovation. Schein (1992) defined group organizational values in the context of shared beliefs about how a group or organization should approach customers and competitors and how the organization should work together. Rogers (1995) perceives innovation as a relative advantage if they are able to meet current values and standards.

On the example of a university that more appreciated and rewarded teaching than research, Klein & Sorra (1996) demonstrate the combined effects of implementation climate and innovation / values. The University's efforts have been focused on developing a new research strategy. This development of innovation has taken place through the dissemination of good research practice that has already taken place in several isolated departments. The introduction of innovation has been fostered by the introduction of new policies and practices that have created a strong climate for research. Research has shown that university members, while recognizing the supportive amosphere for realization, were reluctant to commit to change as they perceived a change in strategy as incompatible with their own values. Their values were more focused on teaching than research.

Implementation is a multidimensional phenomenon, for which there are no simple rules to ensure the diffusion of implementation throughout the organization. However, there are attributes that managers can change to help spread new ways of working. For example, you can influence the perception of potential users of innovation attributes. Perception can be influenced by educating or adapting the process of innovation to the needs and values of users. It is also possible to work on creating a strong implementation environment supporting innovative use (Hayes, 2014).

Summary

This chapter considered spreadability. The extent to which innovative methods and processes that were successfully introduced in one part of the organization are adopted by others elsewhere. We have learned what attributes influence the spread of innovation, how influence managers can influence.

Questions for review

- Which factors affect the likelihood of successful spread of change?
- What effect does individual perception of an innovation have on its spread?
- What are the limits of spread of innovation?
- How can managers influence the spread?

Source:

- Hayes, J. (2014). *The theory and practice of change management*. Palgrave MacMillan. Basingstoke, United Kingdom. ISBN: 9781137275349.

16 Speeding up team learning

Learning Objectives

The chapter deals with speeding up team learning. In order to obtain the necessary information, researchers conducted a hospital research in a team of surgeons. The research dealt with how a team of doctors composed of different specialists can work during an open heart operation, how it builds knowledge, communicates, or how the team is consolidated. The research results have brought the knowledge to speed up team learning.

The chapter is based on the article by Pisano (2001) *Speeding up team learning.* To acquire the necessary knowledge and skills, reading the above-mentioned article is recommended.

Time load

6 hours

16.1 Teamwork in Operation

Cardiac surgery usually lasts two to four hours and requires a combination of four professions and special equipment in a carefully choreographic routine. The surgeon and the surgeons assistant are supported by a scrub nurse, a cardiac anesthesiologist, and a perfusionist, a technician who runs the by pass machine that takes over the functions of the heart and lungs. The Cardiac Surgery Department carries out hundreds of open-heart operations a year. For this reason, a sequence of individual tasks is defined, which is a routine during the operation.

The new technology alters the nature of the surgical team work. Individual team members need to learn new tasks and adapt to the situation. Physicians must learn to work without visual and tactile stimuli. The anesthesiologist has to use ultrasound imaging equipment. During the operation, a number of known tasks can occur in a different sequence, requiring resisting routines and flexibly adapting to the situation. New technology requires greater interdependence and communication among team members. The surgeon is forced to rely on team members, disturbing routine teams and a tightly structured hierarchy.

In cardiac surgery, time plays an important role. One of the key principles of learning emphasizes the fact that the more you do, the more you get. It is remarkable that the pace of learning and improvement varies greatly across teams.

16.2 Creating a Learning Team

Teams with the new procedure most quickly shared three essential characteristics. Leaders were trained to motivate team members to learn and to create a psychic security environment that promotes communication and innovation. Team leaders often draw up a mix of skills and areas of expertise when choosing members. Leaders who are able to leverage the potential of these different members will gain a significant advantage. Leaders have shown little initiative in choosing team members. The choice of team members was based on several factors, such as the ability to work in a team, the willingness to deal with new ambiguities, and so on.

Team leaders have characterized the successful implementation of new technology as an organizational challenge. Team leaders are important in building new ways of collaborating. Teams learn through trial and error. Despite well-designed educational programs and extensive individual preparation, it is difficult for the team to perform the task for the first time because of the many interactions between team members. Team members are experimenting with new ways of doing things to improve team performance. This way of learning is more effective than the after-action analysis so often touted as key to organizational learning. Real-time learning brings knowledge that can be lost if a team member waits for a formal review.

Summary

The chapter dealt with the speeding up of teamwork. In order to obtain the necessary information, researchers conducted a hospital research in a team of surgeons. The research dealt with how a team of doctors composed of different specialists can work during an open heart operation, how it builds knowledge, communicates, or how the team is consolidated.

Questions for review

- Why is it challenging to implement new technologies in highly specialized teams?
- What impact does the choice of team members have on the speed of team learning?
- How can leaders create a psychological climate that supports team learning?
- How does team members' perception of the implementation influence team learning?

Source:

- Pisano, G. (2001). Speeding up team learning. *Harv Bus Rev*, *79*, 125–34.

17 Resistance to change: the rest of the story

Learning Objectives

All too often, resistance to change is viewed as an irrational, dysfunctional reaction by ill-informed and short-sighted change recipients. However, as this chapter discusses, resistance to change may often be fueled by specific actions and inactions of change agents. Additionally, resistance can also be a resource for change.

The chapter is based on a article by Ford et al. (2008) *Resistance to change: The rest of the story.* To acquire the necessary knowledge and skills, the authors recommend reading the above book.

Time load

6 hours

17.1 Resistance as change agent sensemaking

Current approaches tend to ignore that change presents both its recipients and change agents with occasions and triggers for sensemaking. Problems arise new, incomparable or problematic situations that are mysterious or disturbing (Weick, 1995). Change is a situation that interrupts normal patterns of organization and calls for participants to enact new patterns (Mintzberg & Waters, 1985), and is composed of multiple complex and ambiguous processes.

Sensemaking is an active process that involves the interaction of information seeking, meaning ascription, and associated responses (Thomas, Clark, & Gioia, 1993). Sensemaking, by including authoring and creation as well as discovery, implies that change agents get involved at a higher level than just reporting or interpretation (Gioia et al., 1994; Weick, 1995).

Expectations may have a large impact on the sensmaking of change agents (Eden,1984, 1988; Madon, Jussim, & Eccles, 1997; Watzlawick, 1984). For instance, a self-fulfilling prophecy starts with a person's belief that some specific event will happen in the future. The person who believes in the prophecy behaves in accordance with the it and spreads it further. Expectations regarding the ability and potential of others affect the assessments of their performance and subsequent treatment by authority figures (Berger & Luckmann, 1966; Eden, 1988; Eden & Shani, 1982).

17.2 Change agent contributions to resistance

Change agents contribute to recipients' reactions by not respecting agreements and by losing their confidence (Andersson, 1996; Cobb et al., 1995; Reichers, Wanous & Austin, 1997). Agreements are breached at the time when individuals reject the promise or expected pattern of cooperation (Rousseau, 1995). Breach occurs when there is a change in distribution and resource allocation (Shapiro & Kirkman, 1999). When people see themselves as being or having been treated fairly, they develop attitudes and behaviors associated with successful change (Cobb et al., 1995).

If people feel betrayal or injustice, their behavior can become negative, *e.g.* they can start stealing, be less productive, and work less (Shapiro & Kirkman, 1999). People lose confidence and are less satisfied with the employer (Robinson, 1996). The responses to injustice have also been labeled as forms of resistance (Caruth et al., 1985; Kotter & Schlesinger, 1979; O'Toole, 1995). It suggests that resistance may be the result of perceived injustice and broken agreements.

Change agents can contribute to the occurrence of resistance through communication breakdowns. According to traditional perspectives on diffusion, adoption depeds on the merits of the innovation and characteristics of adopters, rather than actions of change agents (Green, 2004). Change agents must provide discursive justifications that establish the appropriateness and rationality of change adoption, create readiness for change (Amenakis & Harris & Mossholder, 1993).

The ability of change recipients to resist change rests in their ability to construct arguments to defend and justify their perspectives of the change, which leads to avoiding further changes (Tormala & Petty, 2004). Such arguments need to be refuted by stronger counterarguments, otherwise the recipients will become even better at resisting change.

Change agents may intentionally misrepresent facts in order to persuade recipients to participate in the change, to look good, or to avoid losing face and looking bad (DePaulo & Kashy & Kirkendol & Wyer, 1996). Misrepresentation, as well as deception, are tactics for bargaining available to negotiators (Hegarty & Sims, 1978). Some misrepresentations can be the result of change agents' optimism, but these are still misleading (Lovallo & Kahneman, 2003). As a result of their optimism, agents may oversell the positive and undersell the negative. Discursive justifications and realistic representations of change are necessary to the perceived legitimacy and credibility of change and change agents (Eccles *et al.,* 1992).

17.3 Resistance as a resource

Recipient reactions can contribute value to change, serving as a resource in its implementation (Knowles & Linn, 2004b). Organizational change entails introducing new conversations and shifting existing conversations and patterns of discourse (Barrett *et al.,* 1995). New conversations have the problem of competing with existing, established conversations because the new conversations lack experience and suffer simply from being new (Barrett *et al*., 1995). Conversations are ephemeral, disappearing when they are not being spoken (Berquist, 1993), and resistance helps keep conversations in existence by keeping the discourse alive.

One of the ways that change can be engaged is by resisting it (Piderit, 2000). Resistance may reflect a higher level of commitment than acceptance, because some resistance is thoughtful. Resistance should therefore not be treated as a result of uninformed and unconsidered choices between compliance and resistance (Brunsson, 1986). Attitudes based on high levels of information processing are more likely to generate scrutiny (Wegener *et al*., 2004). Reactance theory (Brehm, 1966) proposes that people resist externally imposed changes that threaten freedoms important to them. Recipients may raise questions or objections or otherwise engage in the change process (Watzlawick, 1990).

Resistance represents a form of conflict. Since conflict can be functional, resistance can increase the value of the change. This possibility arises especially in the case of authentic resistance (Nemeth & Brown & Rogers, 2001). The problem is that functional and dysfunctional conflict can occur simultaneously, and emotional conflict has the potential to overshadow or dominate task conflict. Any significant level of task or emotional conflict can negatively impact participants' experience and lessen their acceptance of and support for the implementation of change (Schweiger *et al.,* 1989). Conflict is one of the ways used to help inoculate and immunize people against change (McGuire, 1964).

17.4 Reconstructing resistence

Because resistance has become seen as a psychological phenomenon located in change recipients, the need to develop new tools to improve the success of organizational change has been given less attention. Instead, attention was focused on misunderstandings and concerns of individuals in order to eliminate their resistance to change (Kouzes & Posner, 1993). Resistance to change can be understood as a dynamic among three elements:

- recipient action
- agent sense making
- agent-recipient relationship

Resistance can be restored from a psychological to a systemic phenomenon by shifting attention from the "private" or "internal" resistance of recipients to the interactions between agents and recipients (Piderit, 2000). Approach-avoidance theory (Knowles & Linn, 2004a) says that people can be simultaneously for and against change. It is possible for recipients to be internally positive to change, ambivalent or negative.

Resistance to change is not a phenomenon independent of change agent sensemaking. This means that the actions of recipients are not resistance, as long as change agents don't label them as "resistance" through their sensemaking processes. King & Anderson (1995) argue that action perceived by agents as harmful may be perceived by others as morally justified or heroic behavior. As such, resistance is sensemaking-dependent.

Overcoming resistance is an issue of agents effectively managing the agent-recipient relationship, which includes making the resistance of recipients and sensemaking of change agents a part of public conversation. Resistance can not be a unilateral response of the recipient. It is rather an interaction of participants that are shaped by the nature and quality of the recipient's relationships.

Summary

This chapter deals with factors affecting organizational change. The importance of sensemaking has been mentioned, which affects the thinking of individuals who subsequently influence change, as well as the issue of agent-recipient relationship. The importance of resistance and functional and dysfunctional conflict to accept change was subsequently analyzed. Conflict can have a positive effect on change. Three fundamental elements of resistance to change have also been outlined.

Questions for review

- What is the effect of a dysfunctional conflict on organizational change?
- How does sensemaking contribute to strategy?
- What is the impact of conflict on the course of change?
- How can resistance to change become a resource for change?

Source:

- Ford, J. D., Ford, L. W., & D'Amelio, A. (2008). Resistance to change: The rest of the story. *Academy of management Review*, *33*(2), 362–377.

18 Changing collective cognition: a process model for strategic change

Learning Objectives

Strategic reorientation is necessary when facing changes and opportunities in the environment. This chapter seeks to draw upon cognitive sciences to offer some ideas about how strategic reorientation can be achieved.

The chapter is based on the article by Mezias *et al*. (2001) *Changing collective cognition: a process model for strategic change.* To acquire the necessary knowledge and skills, reading the above-mentioned article is recommended.

Time load

6 hours

18.1 From theory to practice

Strategic reorientations are difficult to achieve, and the managerial processes required for successful reorientation are not widely understood. While there is plenty of advice from practitioners and researchers how to successfully undergo strategic reorientation, this advice does not always work. Cognitive sciences are one option to pay attention to when looking for guidance regarding reorientation. They give insight into how individuals react to stimuli as such, it is possible to construct a theory of how organizations can effectively respond to changes in the environment. Individuals develop mental models of their environments (Gardner, 1987).

Mental models can take the form of images or symbol systems. The images describe the basic situational elements and the relationships between them. Symbol systems describe relationshis between symbols and processes that create, change, or destroy symbol structures (Simon, 1998). These mental models precede individual behavior and actions and mediate the direct impact that environmental stimuli have on their behavior. Poorly developed mental models have undesirable consequences (Gardner, 1987).

18.2 From the individual to the collective

In an effective organization, individuals must coordinate their behaviors in such a way that it leads to achieving positively valued goals. This behavior and its coordination depend on a part of mental models that specify what individuals value positively and which consequences they believe are results of certain behaviors. Individuals in an organization must share some of their mental models in order to avoid uncoordinated behavior. Collective performance has the potential to overcome individual performance based on shared individual mental models (Wegner, 1987, 1991).

Discussion within a group stimulates individual thinking and can spark creative ideas and new perceptions. Common thinking goes beyond thinking based only on mental models (Eden, 1988). Physical manifestations of mental models mean that operational “realities” reinforce organizational belief structures, constrain behavior and experience, and so make any fundamental change extremely difficult (Grinyer & McKiernan, 1990). For this reason, it is advisable to change the look of the nice relationships between actions in the social system (Weick & Roberts, 1993).

Cognitive science has learned much about individual mental models and their role in individuals’ adaptation to their environments. We are beginning to understand how to get from “single-loop” learning based on existing mental models to “double-loop” learning that requires creating new mental models (Argyris, 1991).

18.3 Changing collective cognition

Collective mental models or organizational beliefs are difficult to change. This is because they are embedded in routines, operational practices, and other factors. The organization is less adaptive than its members (Kiesler & Sproull, 1982). According to Lewin both the individual and the group behave the same way as in the past when the obstacles to change remain the same as the driving forces of change (Johnson, 1980).

Most prescriptive texts on strategic planing presume that triggering change is simply a matter of environmental scanning, analysis, and then paying heed to often subtle signals of significant threats or opportunities (Ansoff, 1984). The effectiveness of the Lewin model has been limited in practice because it does not determine what “unfreezing” means regarding cognition, or the transformation of an individual or organization from a “frozen” to an “unfrozen” state.

18.4 Problems with change

Emotions and perception precede reorientation or change of collective beliefs. Inertial forces often delay such recognition. Often change requires extremely strong signals, which usually arise from episodes of organizational conflict involving pain and participative crisis (Pondy, 1992). The choice of decision-makers is limited by delays. Continued erosion of performance erodes resources necessary for effective reorientation (Grinyer *et al*., 1992). Delaying changes creates stress and insecurity (Crozier, 1964). Delays in strategic change do not benefit from common input and discourse, as they are often reactive, dramatic (Ansoff, 1984). Cognitive models allow managers to monitor and make sense of competitors' actions, customer feedback, industry trends.

In practice, individuals are often aware of the need for change but do not have the power to accept changes. Successful strategic change must enlist support from those implementing change (Hambrick & Finkelstein, 1987). Because of the lack of time to introduce strategic change, it requires mobilization of support from the board of directors or strong organizational coalitions (Kotter, 1995). Support must come from enough senior managers.

Unlearning old rationales underlying embedded routines is essential to changing those routines. Individuals need to re-evaluate their cognitive models so that heuristics and procedures adjust for new situations and challenges. organizational unlearning requires changing the set of cognitions underlying the behavior of the organization. Cognitive structures of organizational members may be possible to infer them from observed behavioral patterns (Eden & Ackerman, 1998).

18.5 Holistic and heterogeneous approach

Shared fundamental beliefs or collective cognitive models shape organizational vision and strategic direction. They also co-ordinate patterns of activities among constituent units and functions, which produces coherent strategic behavior. Therefore, the change of collective knowledge must involve different interest groups. The approach must be **holistic**. Limiting input to top tier managers from corporate headquarters restricts information flow and limits the pool of talented managers analyzing change alternatives (Ghoshal, 1987).

A wider range of perspectives, skills, and information broadens the scope of analysis and helps reduce oversights. Involving managers from lower hierarchical levels may permit more timely and appropriate responses to fundamental and threatening changes in the market (Janis, 1971). When managed properly, conflict is a positive force for change and learning (Pondy, 1992).

When **heterogeneous** groups discuss multiple issues, simultaneously analyzing issues is possible. The discussion helps groups to identify other potential issues and to create alternatives to solve problems.

18.6 Agent for change

An appropriate climate is essential for organizations to execute successful change. Top management should encourage openness, candor, and tolerance of creative viewpoints. When participants are forced to suppress their ideas, they question the existence of basic assumptions. Hence a skilled facilitator is often required to help create and sustain positive climate (Lewin, 1951).

Choosing a neutral site is not trivial. The site must provide high-quality services, ambiance, and enough isolation for managers to avoid disruptive interruptions (Simon, 1998). Achieving an effective collective mind under these limiting conditions requires significant time with full attention to the process.

Role, composition, and group size are key factors in determining the success of the change workshop. Experienced managers deeply understand their business and its environment, but need an appropriate facilitated process to share, re-evaluate, enhance, and exploit such knowledge. Modern corporations have high degrees of differentiation between specialist organizational units or functions (Lawrence, 1967). Language, mental models, values, vision for the future, and perceived threats and opportunities are shared and debated in facilitated group discussion. Team building within Change workshops may contribute to greater informal integration (Zand & Sorensen, 1975).

Effectively executing strategy cannot be divorced from its formulation. Analyzing operational implications when evaluating strategic options tightly couples strategic formulation and execution (Bourgeois & Brodwin, 1984). It is good to focus attention on performance in the workshop. Managers from different departments and constituencies may share responsibilities for execution, which allows the organization to benefit further from team building effects generated in the process.

Summary

The chapter showed that it was very difficult to achieve a successful strategic reorientation. Well known theories of organizational change fail to provide adequate guidance for achieving strategic reorientation. They rarely specify the behaviors needed to achieve the intended consequences, identify the causal relationships between actions and effects, or recognize the contextual conditions required for effective implementation. As such, it may be useful to pay attention to cognitive aspects of change, including mental models, perception, and values.

Questions for review

- How do mental models affect the organization?
- What is the difference between individual and group perceptions in connection with organizational change?
- What are the characteristics of the holistic approach?
- How does a group's size influence organizational change?

Source:

- Mezias, J., Grinyer, P., & Guth, W. D. (2001). Changing collective cognition: a process model for strategic change. *Long Range Planning*, *34*(1), 71–95.

Summary

The goal of this DSO was to briefly introduce the most important insights and issues regarding organizational change and learning, which fall under the very broad and important field of Organizational Behavior. It discusses relatively new approaches to strategy-making, organizational learning, and organizational change, focusing primarily on the behavioral aspects.

These topics will be useful throughout the students' professional life, as they are address the some of the most complex and contentious problems that arise in every-day organizing. The DSO is, however, intended merely as a study aid which points students toward advanced literature sources that address these issues in a more profound and complete manner. As such, it is assumed and highly recommended that students seek out additional sources for autonomous reading and study, especially the publications listed in the DSO. Additionally, students are provided with questions to think about and reflect upon.

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