2 Diagnosing and Planning for Change

Learning Objectives

After reading this chapter, you should be able to do the following:

1. Define an organizational diagnosis of change and describe the importance of using change models.
2. Describe the environment-industry-organization contingency model.
3. Identify the different types of changes an organization may implement and how these relate to first- and second-order changes.
4. Explain the organizational life-cycle model of change and how it differs from the other models presented in this chapter.
5. Describe the different levels of interventions implemented by organizations.
6. Describe the action research model for diagnosing change.
7. Describe Kotter's eight-step approach as a roadmap for approaching change.
8. Describe the appreciative inquiry model as an alternative to Kotter's eight steps.
9. Identify how organizations can address resistance to change.

By failing to prepare, you are preparing to fail.

—Benjamin Franklin

Chapter 2 Outline

2.1 Introduction: Ready, Aim . . . Plan!

"If you don't know where you're going, all roads lead there," a Roman proverb states. The warning here is that if you don't set a destination for yourself, if you don't have a goal, then your actions will cease to have meaningful consequence. Lack of a goal, of course, is the very opposite of effective change management. In an increasingly globalized world, in which change comes at an ever-faster rate, a good business must always have a set of short-term as well as long-term goals and a detailed strategy for how to reach those goals. This chapter focuses on the first steps of that process: diagnosing and planning methods to effectively prepare organizations to respond to change.

In the previous chapter, the different types of changes that affect organizations were presented. Here we discuss classic and contemporary frameworks for diagnosing ways that organizations can meet both external and internal needs. We also explain strategies for understanding and dealing with resistance to change. Concepts and methods used here and in this text are relevant for large, publicly traded companies, not-for-profits, community service, and government organizations.

Most organizations continually plan and implement some type of change. Each day we hear about organizations responding to different types of change in a variety of ways. The list is extensive:

- mergers and acquisitions
- reorganizations and restructuring
- spinning off businesses
- expansions
- downsizing
- introducing new products and services
- implementing new IT (information technology) software

Because nearly three quarters of large organizational changes fail (Keller and Aiken, 2008; Kotter, 1996), it is important to diagnose an organization's need to change and determine the appropriate type of change. Transformational changes are very costly in human, material, and financial terms, so they need to be done right.

It's important to note at the outset that large scale planned changes are messy and nonlinear, and in general are only as effective as the people leading and sustaining the change. Such leadership includes knowing when to change but also knowing when not to change. Kesar (2001) cautions,

> Change is not always good, and it certainly is not a panacea for all the issues. . . . More leaders may need to prioritize various change proposals and defuse poor ideas, rather than always responding to changes from the internal and external environment. Therefore, failure to change can be a positive response. I am highly suspicious of the recent trends in business to reconfigure organizations every five years and of the idealization and symbolic value of change as a trophy of managerial success. (Czarniawska & Sevon, 1996, p. 8)

In the twenty-first century change is more a constant than a luxury; nevertheless, organizational leaders have the responsibility of determining whether changes are needed and, if so, the type of change that will work in their particular situations.

2.2 Diagnosing Organizations for Change Using Diagnostic Models

Organizational diagnosis of change refers to the process of understanding the current state of how an organization functions and providing necessary information for designing change interventions (Cummings & Worley, 2009). Diagnostic change models are now frequently used in this process as companies attempt to figure out what their current and future needs are and will be. While such change models are simplifications of reality, they do provide both a context in which organizations operate and the interrelationships among their internal dimensions to help identify desired effectiveness.

Why Use Models?

While change models, per se, do not provide the "one best way" or "the truth" of diagnosing organizations, they offer both theoretical and practical ways to understand complex situations. Burke (2008) offered five uses of organizational models:

- First, models help reduce the complexity of thousands of things "going on" into manageable categories.
- Second, models help point out aspects of organizational activities and dimensions that demand attention.
- Third, models highlight the interconnectedness of organizational properties like culture, structure, and strategy.
- Fourth, models provide a common language and vocabulary.
- Fifth, models offer a sequence of actions that users can follow in particular change situations.

As stated earlier, the expertise and experience of an organization's leaders, managers, and change specialists are perhaps the most critical factors of diagnosing, planning, and implementing changes. Consequently, the leaders are ultimately the ones who must make decisions based on model projections. Diagnostic models can also help detect and prevent Type 1 and 2 errors—discussed in Chapter 1—from occurring when planning a specific change.

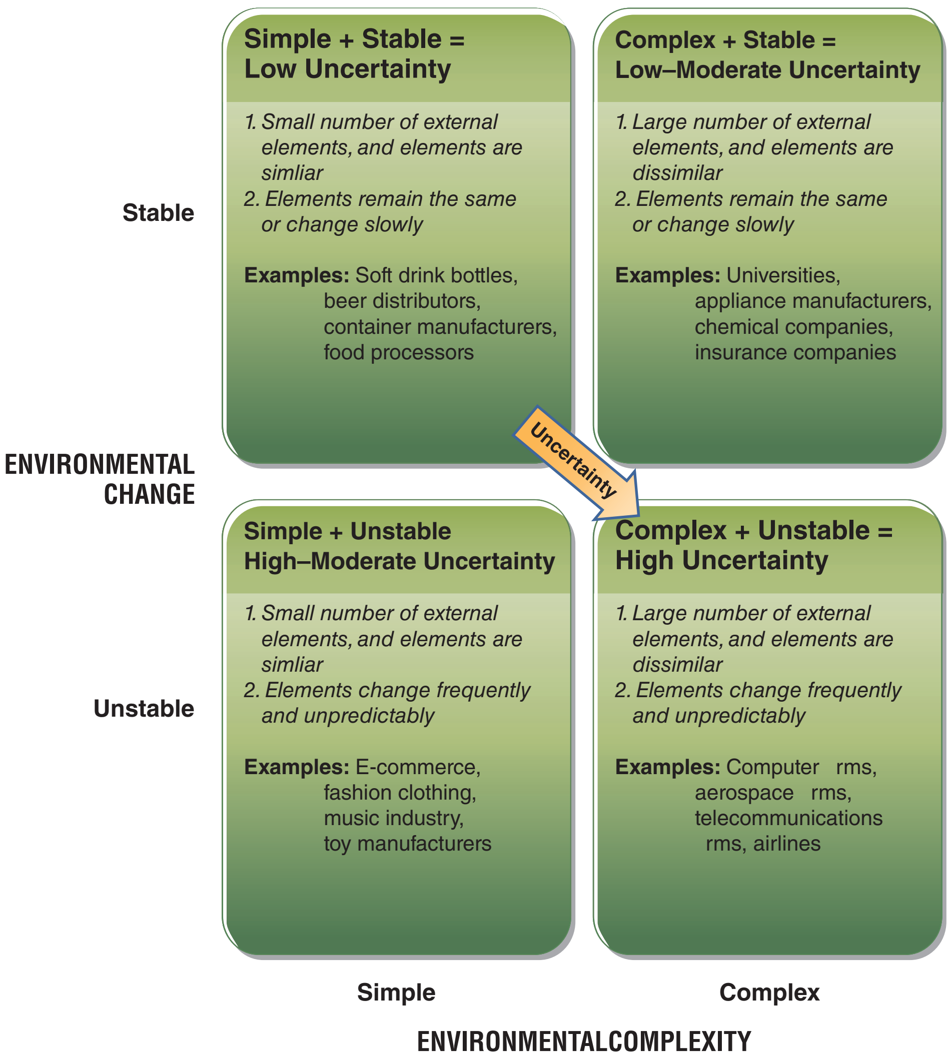
We have selected both classic and more contemporary models among many that are available to discuss in greater detail. Our selection here is based on the following criteria: (1) Classic models that led the way and are still relevant; (2) models that are based on different assumptions and view change from various perspectives; (3) macro and micro dimensions that are emphasized in the models; and (4) models that require different quantitative and qualitative approaches to diagnose responses to change. The major models here include: environment-industry-organization contingency model, systems contingency model, open-systems model, and organizational life-cycle model.

Environment-Industry-Organization Contingency Model

A first step in diagnosing organizational change is to identify the type of external environment in which an organization currently operates and then decide whether and to what extent that environment is most suited for the organization to succeed. Aldrich and Pfeffer's **resource dependency theory** (1979) asserted that organizations were dependent on the environments in which they operated and that "The motivation of those running the organization was to ensure the organization's survival and to enhance their own autonomy, while also maintaining stability in the organization's exchange relations" (Davis & Cobb, 2009, p. 5). Drees' and Heugens' (2010) meta-analysis of 175 studies regarding companies' use of resource dependence tactics (that included interlocks, alliances, joint ventures, insourcing, and mergers and acquisitions) found that positive association between environmental interdependencies and companies' use of resource dependence tactics. Moreover, firms' use of such tactics were positively associated with organizational performance (Davis & Cobb, 2009).

Duncan's (1972) model shown in Figure 2.1 can be used to understand an organization's existing environment and to diagnose the type of organization to which that organization might move to increase its performance. The model in Figure 2.1 is a simple "big picture" and straightforward way of mapping an organization's fit with environmental uncertainty. The two dimensions of environments are shown as "**environmental change**" (i.e. stable or unstable) and "**environmental complexity**" (i.e. simple/complex). A **simple–complex dimension of environmental uncertainty** indicates the number and dissimilarity of external elements that affect an organization's functioning (Daft, 2010). The higher the number of forces, such as inflation and changing client demographics, and the greater the number of dissimilar elements, such as different companies and competitors, the greater the **environmental complexity**. Such complex, unstable—and therefore highly uncertain—environments characterize companies in the aerospace, telecommunications, airlines, and computer industries. The following example illustrates an interpretive use of this model.

Figure 2.1: Environment-industry-organization "fit"



Source: Duncan, R. (1972). Characteristics of organizational environments uncertainty. American Science Quarterly,17 *(September), 313–327; Daft, R. (2010).* Organizational theory and design *(10th ed.) (p.157). Mason, OH: South-Western Cengage Learning.*

Hewlett Packard

Facing what appeared as a highly uncertain environment, Hewlett-Packard (HP) CEO Leo Apotheker recently announced that the company "… is beginning a 'needed transformation' to better compete for corporate technology budgets" as he recently spun off HP's famous personal computer business (Worthen, 2011, p. B1). HP in turn acquired the UK company Autonomy (software firm) for $11 billion, announcing that HP's competitiveness will best be served not by competing in personal computers, but in the crowded but lucrative space of software. The CEO was criticized by many Wall Street investors and industry observers for this "big bang" action since he overpaid for the software firm. Twenty-three percent of HP's stock market value from the PC business for the purchase of Autonomy added value of 1 per cent to HP's revenues (Waters, 2011). The extent to which HP's CEO read the forces in his industry environment correctly by making such bold moves has yet to be determined. Observing Figure 2.1, Apotheker is trying to remain competitive now and in the future in a complex, unstable, and hypercompetitive environment which he presently occupies and hopes to exploit in the future.

Traditional brick-and-mortar universities are being forced to evolve their offerings and processes due to changes brought about by the increasing prominence of online institutions, such as the University of Phoenix.

Universities

Figure 2.1 suggests that universities inhabit complex but stable, or low–moderate uncertainty environments. The environments in this quadrant of the model have few elements that cause instability and change, but several dissimilar factors that create complexity. Also, with the recent downturn in the economy, many organizations have dropped their tuition reimbursement programs, presenting additional challenges for universities. Cutbacks in budget-constrained state funding for public universities adds yet another dimension of uncertainty for these institutions.

For non-profit traditional universities and colleges, the environment was more stable before for-profit universities like University of Phoenix entered the competition. Not all non-profit colleges were threatened by the for-profit universities, but most certainly did need to address changes that these new for-profit colleges introduced more effectively into the market. For-profit colleges like University of Phoenix, for example, offered nontraditional students distance-learning options that had previously been much harder to find. As for-profit colleges utilized technologies more effectively to reach a broader and more diverse student base, non-profit colleges followed suit.

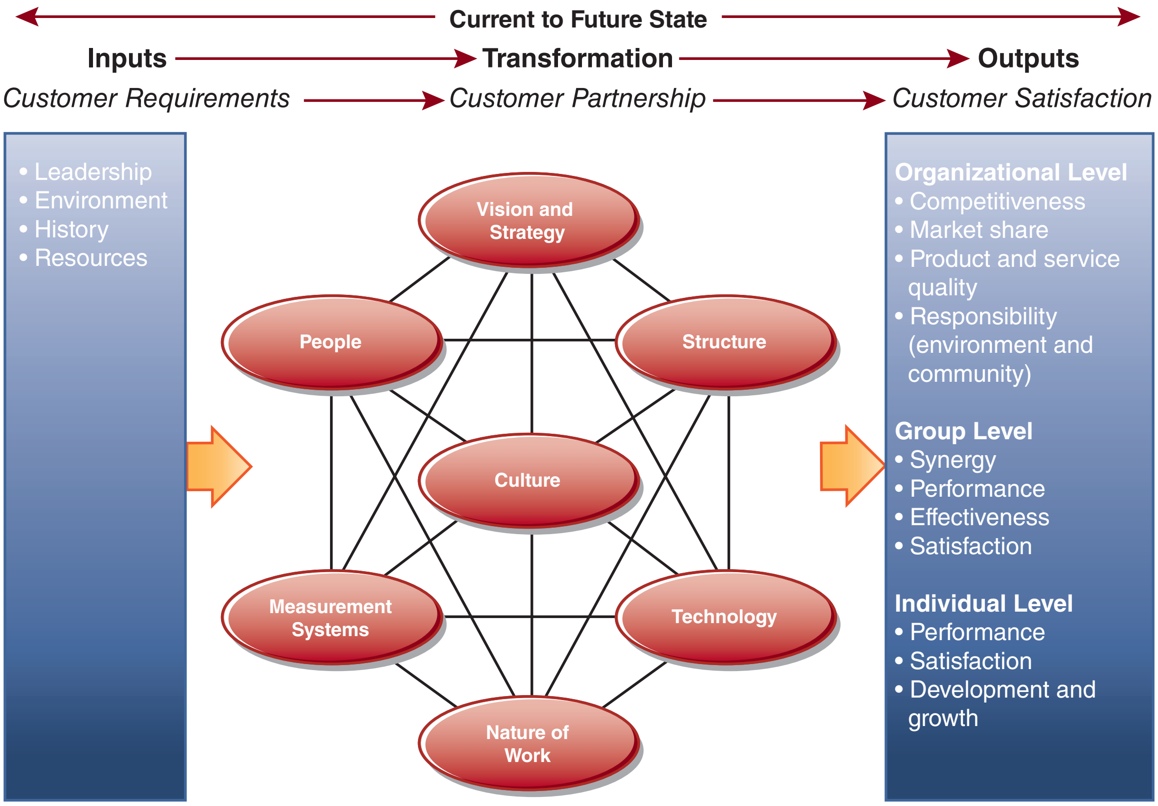
Larger environmental threats to contemporary universities globally stem from the sustained economic downturn, loss of jobs, and lack of donor loyalty in giving to universities (Giménez, Martín-Retortillo, & Pires de Carvalho, 2010). Each college and university will have to determine in which quadrant in Figure 2.1 it is currently positioned, and if it should strategically move or migrate to another to remain viable and competitive. Simply stated, "Creating a stable organization to perform in a complex and rapidly changing environment is following a recipe for failure. The primary drivers of organizational effectiveness are fluid and dynamic; so too must be the primary elements and processes of strategy and organization." (Lawler III, 2006, p. 18). Universities, private and non-profit, will be changing more than in the past as environmental forces shift and competitive pressures mount.

Systems Contingency Model

Another popular model used to diagnose organizational change is the systems contingency approach, briefly described in Chapter 1. The logic underlying this approach, also referred to as a **congruence model**, is that there is no one right or best strategy, structure, or culture that can predict organizational success; effectiveness is defined by the "fit" or congruence of these dimensions working together to meet environmental and competitive requirements.

The model, shown in Figure 2.2, depicts the dynamics of change for the entire organization; it also enables each organizational dimension and their interrelations to be analyzed with regard to capabilities and readiness for change. Used as a diagnostic and assessment tool in planning an organizational change, the congruence model prompts planners to ensure that the different dimensions of an organization "fit" together in responding to environmental requirements (i.e. markets and competitiveness)—starting with the organization's vision, mission, and strategy. When these dimensions work together to support and promote high performance, the system outputs indicate that the organization is operating efficiently and effectively. When one or more dimensions are out of sync with each other, friction and negative impacts can affect the entire organization.

Figure 2.2: Systems contingency model



Source: Weiss, J.W. (2001) based on Weisbord (1987), Productive workplaces. *San Francisco: Jossey-Bass; and Burke, W. (1994). In Howard, A. (Ed.).* Diagnosis for organizational change. *New York, NY: Guilford Press.*

Elements of the Model

Figure 2.2 shows that the leadership, environment, history, and resources of the organization at the **input phase** are emphasized as customer requirements because translating and meeting customer needs in the environment are central to the survival and success of organizations. At the **transformation phase**, the leadership and managers are responsible for creating, processing, and completing the services and/or products before delivery. It is at this stage that the organizational dimensions should first be capable of responding to the requirements in the environment (i.e. markets and customers) and second, interrelate to the other dimension to produce competitive products and services.

If leaders have accurately interpreted the environmental opportunities and demands, and used resources optimally to coordinate organizational dimensions at the transformation phase, then the outputs should reflect this congruence. The **output phase** reflects the effectiveness of this model through three levels: organizational level, group level, and individual professional level.

Cheung's (2009) study of empirical congruence research indicates that "Despite the popularity of the congruence construct (similarity, fit, and agreement) in organizational theories, the operationalization of congruence and the appropriate methods to analyze it have concerned many researchers" (Cheung, 2009, p. 63). Cheung recommended different research techniques for measuring this multi-perspective theory. While the organizational contingency (also referred to as congruence) model has proven more difficult to empirically measure because of the complexity of interrelationships, it remains a popular consulting and organizational planning tool used by corporations and change specialists. Microsoft offers an illustration of this model.

Managing Change

Diagnosing the Need for Change

You are the owner of a struggling restaurant in a medium-sized town of 40,000 people. Publicity is there, there are plenty of offerings on the menu, but no one is coming in. You can't figure out if it's the recession/recovery, or if the demand for New American cuisine has changed in your area. Unfortunately a rapid response is required as your capital is dwindling.

The vision is a contemporary, casual New American restaurant. The mission is to serve distinctive, good food to customers in a timely manner and at price points that are affordable to the clientele but still bring in a profit. The strategy is to have a day chef for lunch and a night chef for dinner, the manager expediting in the kitchen, and servers manning the bar and cashing out customers. There has been some confusion with tickets that results in delays in the kitchen, and some turnover of staff, and those have been on your to-do list for some time.

The owners are incensed at the state of business, and are coming in for a consultation. Your job may be on the line, so solutions have to be thought of quickly to present to them.

1. Using the systems contingency model, explain why change is necessary.
2. Outline the dimensions of the business using the input phase, transformational phase, and output phase.
3. Given the circumstances, what changes would you effect?

(See page 217 for possible answers)

Microsoft

Microsoft's CEO Steve Ballmer knows that the company's Windows programming platform is facing the post-PC (personal computer) world, that Windows is 25 years old, and that sales have slowed, leaving the company with its lowest market share in two decades—down to 82 percent (Wingfield, 2011). The company is behind schedule on delivering Windows 8 and Ballmer is promising delivery in 2012. Unlike HP's CEO, discussed earlier, Ballmer is not giving up on Windows or PCs, even though sales are down.

From a contingency, congruence perspective, Microsoft's internal organizational dimensions appear somewhat strained even though the company's overall performance (revenue and sales) remains competitive in the industry. Microsoft's continued success in the marketplace is evidence that it continues to succeed in responding to external threats as well as in extending effective products. Still, the firm's competitors are always in its rearview mirror.

Steven Sinofsky, president of the Windows and Windows Live Division, said the general team structure is composed of 35 teams, "… with each team responsible for a single feature area of the operating system. Each team consists of between 25 and 40 developers … putting the number of Windows 8 developers somewhere in the range of 875 to 1,400 people worldwide. Microsoft also has program management, product designers and testers on each team" (Mackie, 2011). So, size and complexity of the Windows teams are evident. Also the diversity among the teams, that is, the people's skills, roles, backgrounds, are varied. Although Windows 8 is yet another version of existing technology, the testing and changes are complex.

The organizational culture at Microsoft is aggressive, entrepreneurial, and outcome-driven, particularly so in the Windows Division. However, the company has been criticized for bureaucratic tendencies accompanying its increasing size. Cofounder of Microsoft Paul Allen, reflecting back on his career at the company, is noted as having said that Microsoft "got huge and failed to deal with the consequences … . Too many semicompetent managers, too much in-house politics among the fiefdoms and silos of principal product lines…" (Waters, 2011).

The systems contingency model provides a basis to view and understand how the different internal dimensions of an organization fit together. It seems that the incongruent fit among the culture, poor middle management, and frequent organizational reorganizations in the Windows Division and at Microsoft would render the Windows products less than successful. However, the following factors help explain why Microsoft thrives in spite of the tensions described above. First, the company hires talented people, technically and business savvy. Second, the company is innovation driven. One of the most successful cultures in the company is the Microsoft Research Division—a business unit started in 1991. The division consists of scientists and researchers across different fields of expertise and is credited with helping Microsoft "… realign its priorities when threatened by competition" (Tobaccowala, 2011). It is also one of the divisions driving innovativeness in the overall culture at the company.

Microsoft has branched into a number of industries, one being game consoles. The Microsoft Xbox brand must continually evolve to stay competitive. Pictured here is a recent product launch geared towards younger kids.

Third, Ballmer's leadership has proven to work. He takes a long-term, strategic view, is patient but competitive, and his energy inspires Microsoft's employees. He worked at Microsoft when it had 30 employees; it now has 80,000. He targets a market and sticks with it until it's competitive. The Xbox 360, for example, was introduced in 2001. Microsoft entering the game-console industry was certainly unexpected. Although the Xbox still faces stiff competition from Nintendo's Wii and Sony's Playstation, it's used by millions throughout the United States (Tang, n.d.). Fourth, Microsoft is a leading company in its industry globally. It is not always the first-to-market but once in, it moves to be a dominant player. And Ballmer's energy and inspiration motivates employees to be part of that winning company. Fifth, Microsoft is in several businesses. It can afford to be patient but not complacent. It is not depending only on Windows to keep the company profitable and competitive; Microsoft has invested heavily in Cloud computing. As expressed by Tadjer (2010), "Personal Cloud computing means having every piece of data you need for every aspect of your life at your fingertips and ready for use. Data must be mobile, transferable, and instantly accessible" (Tadjer, 2010).

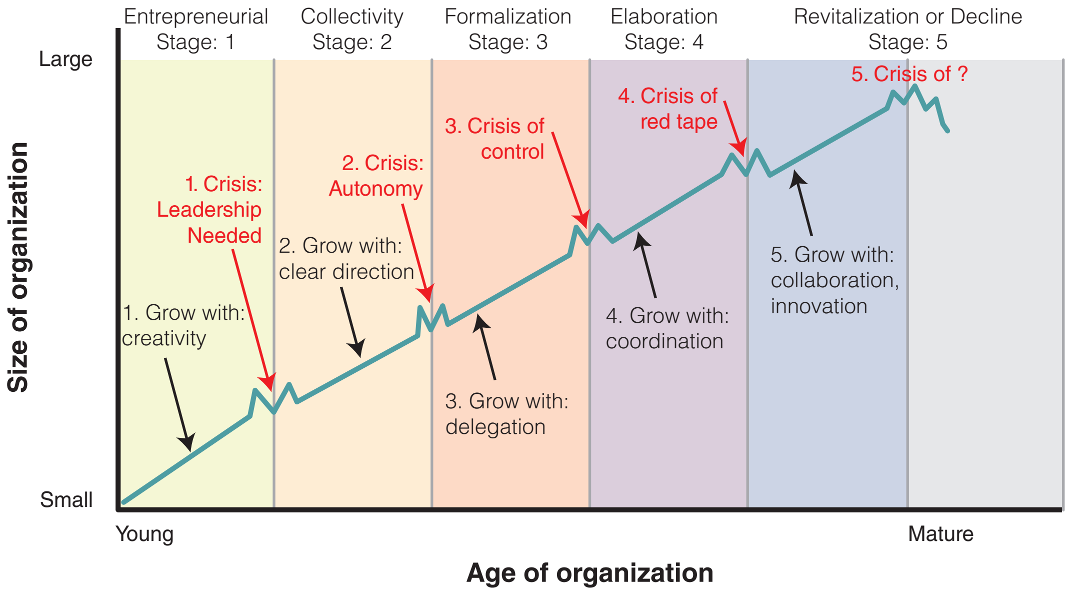
Tobaccowala (2011) states that strategic contingency theory seems easy to understand, and it also seems to predict optimistic growth for Microsoft. After all, the company continues to attract and hire talent and also let them go based on logical reasons. He notes that Microsoft, "… unquestionably has the experience to know how to manage risk despite the numerous 'disruptions' and challengers to its diverse portfolio of products. Technical expertise is being given more value (and presumably more compensation), strategic partnerships are rising, and investment in the future (via research centers) is being maintained" (Tobaccowala, 2011). Still, no company, including Microsoft, is completely immune from changing competitive threats and shifts in the environment.

Organizational Life-Cycle Model

Another model is Greiner's (1998) organizational life-cycle approach that remains a classic roadmap used to diagnose the types of crises and challenges organizations face as they age. This particular model adds an historical dimension for understanding an organization's developmental needs in terms of changing capabilities required of leaders to grow organizations along their life-cycle.

As organizations evolve, following a somewhat predictable path, they move through "punctuated equilibrium" periods of stability with embedded crises. If these predicted crises are not solved, leadership and management can be forced out of business and replaced by a team that can bring in the needed changes (Simmons, 2005).

Figure 2.3: Developmental life-cycle of organizations



Source: Adapted from Greiner, L. (1972, July-August). Evolution and revolution as organizationals grow. Harvard Business Review, 50, *37-46.; R. Quinn, R. and K. Cameron, K. (1983). Organizational life cycles and shifting criteria of effectiveness, some preliminary evidence.* Management Science 29, *33–51.*

Figure 2.3 illustrates the five phases of growth: creativity, clear direction, delegation, coordination, and collaboration. Each period is characterized by a leadership style used to realize growth that is appropriate for each stage. Each stage is also characterized by a "crisis" that must be solved before growth can occur. The pattern presented in Figure 2.3 is assumed for companies in industries with moderate growth over a long term. Greiner stated that companies in fast-growing industries may experience all five phases more rapidly, and organizations in slow-growing industries may experience only two or three phases over several years.

Observing Figure 2.4, notice that each stage has "prolonged periods of growth where no major upheaval occurs in organization practices," and then a revolutionary phase occurs, marking "periods of substantial turmoil in organization life." Greiner originally hypothesized that the evolutionary phases lasted about four to eight years before the revolutionary phases kicked in, when crises occurred. This length of time varies by industry, by company, and by the changing environment. Greiner also proposed that an organizational crisis will occur at the end of each one of the five growth stages, and that the organization's ability to manage and solve these crises will determine its survival (Simmons, 2005).

This theory also assumes that each stage is both a result of the previous phase and a cause for the next phase. In stage two, the organization grew under leadership with clear direction—which solved the previous crisis of "leadership needed." However, after a time, leadership with clear direction leads to a crisis of control, and then a leadership style that emphasizes coordination and delegation is needed. Examine Figure 2.4 to understand the organizational characteristics and requirements of each stage, not only in terms of leadership style, but also with regard to structure, systems, strengths, weaknesses, and crisis points.

Greiner hypothesized that during each period managers are limited in what they are able do for growth to occur. For example, a company experiencing a crisis of control in stage 3 cannot return to offer clear directive management for a solution; the leader must adopt a new style of delegation in order to move to the next stage of development and growth.

Empirical research on substantiating effectiveness criteria in life-cycle theories of organizations is mixed. Quinn and Cameron (1983) found support for one version of the theory, but also noted that the predictions in these theories are often not substantiated in research since organizational responses to the external environment differ across the stages of the life cycle (Quinn & Cameron).

Figure 2.4 Characteristics of life-cycle growth phases

	Phase 1 Creativity	Phase 2 Direction	Phase 3 Delegation	Phase 4 Coordination	Phase 5 Collaboration
Structure	• Informal	• Functional • Centralized • Hierarchical • Top down	• Decentralized • Bottom up	• Staff functions • Strategic business units (SBUs) • Decentralized • Units merged into product groups	• Matrix-type structure
Systems	• Immediate response to customer feedback	• Standards • Cost centers • Budget • Salary systems	• Profit centers • Bonuses • Management by exception	• Formal planning procedures • Investment centers • Tight expenditure controls	• Simplified and integrated information systems
Styles/people	• Individualistic • Creative • Entrepreneurial • Ownership	• Strong directive	• Full delegation of autonomy	• Watchdog	• Team oriented • Interpersonal skills at a premium • Innovative • Educational bias
Strengths	• Fun • Market response	• Efficient	• High management motivation	• More efficient allocation of corporate and local resources	• Greater spontaneity • Flexible and behavioral approach
Crisis point	• Crisis of leadership	• Crisis of autonomy	• Crisis of control	• Crisis of red tape	?
Weaknesses	• Founder often temperamentally unsuited to managing • Boss overload	• Unsuited to diversity • Cumbersome • Hierarchical • Doesn't grow people	• Top managers lose control as freedom breeds parochial attitudes	• Bureaucratic divisions between line/staff, headquarters/field, etc.	• Psychological saturation

Source: Clarke, L. (1994). The essence of change *(p. 12). Hemel, Hempstead, UK: Prentice Hall.*

Growth through Creativity

Stage 1 growth through creativity occurs during the stage that resembles a typical start-up. Greiner notes that the founders are generally technically or entrepreneurially oriented and their energies are absorbed making and selling a new product or service. Communication is frequent and informal. Workdays are long and pay is modest. Decisions and motivation are directed to the marketplace. These individualistic and creative activities are necessary at this stage. But as the company develops, those activities and leadership styles become the problem.

Observe in Figure 2.4 that under phase (or Stage) 1, the structure used is informal; the systems reflect immediate response to customer feedback; styles of leaders and people are individualistic, creative, and entrepreneurial; the strengths at this stage of development are fun and market response. The crisis point is that of leadership, and, along those same lines, the weaknesses often have to do with the fact that the founder may not be temperamentally suited to management and those in charge may be overloaded. Refer back to this figure as you read through Stages 2 through 5. While elements of this figure are restated in the text, there are descriptions in this figure that reinforce the characterization and meaning of each stage of the model.

According to Greiner, a crisis of leadership develops during this stage that could lead to a revolution if the major problems are not solved. Lack of structure and formalized management systems and practices require a different type of leadership and management. If the existing leadership does not or cannot assume new responsibilities of organizing, then a more sophisticated, formalized leadership style must be brought in for growth to continue.

Growth through Direction

Stage 2 growth through direction occurs under more structured leadership and management styles. A functional organizational structure is adopted, that is, a basic arrangement of departments where sales and marketing, manufacturing, production, finance, and research and development are formed with expertise in each area. Specialized jobs are assigned.

Systems are put into place, for example, accounting, human resources, inventory, shipping, and so on. Budgets, pay systems, and working rules are also established. A more structured culture evolves where communication is formal and impersonal, titles and positions are developed, and managers assume more authority with strategic decision making generally being made at the top level.

The second crisis, and possible revolution, Greiner notes, evolves from a crisis of autonomy. The new directive styles work to spur growth, but then become too constraining to integrate and control the organizational diversity and complexity that evolves. A centralized hierarchy constrains and confines employees who know and have learned more about markets and customers than their leaders and managers. Employees are conflicted between following meaningless procedures and taking action themselves.

To continue to grow, leaders must either give up some control, learn to delegate, loosen and change hierarchy, or be replaced. Part of this crisis stems from leaders and managers, perhaps entrenched in past training or older procedural methods, being unable to share responsibility with lower level managers and employees. Those leaders and managers who stay often drive out disenchanted, talented employees who leave. In effect, the crisis of stage 2 is the opposite of stage 1; by formalizing processes in stage 2 to grow from stage 1, the pendulum swings too far in the other direction, becoming too fixed and rigid. Stage 3 then works to strike a more productive balance.

Growth through Delegation

Stage 3 growth through delegation occurs when more responsibility is given to managers and employees to accomplish organizational goals and their work. This stage is also achieved when the hierarchical structure changes to decentralized units, bonuses and profit centers are established, managers stop micro-managing, communication and decision making is less top-down and also decentralized, and managers are able to move into larger markets faster and begin innovating.

Crisis, and possible revolution, occurs at this stage if leadership and management try to take control over the entire organization and return to a centralized system of decision making, communication, and ways of managing. Greiner argued that this revolution would fail because of the organization's expanded operations and the organization's ability to find new solutions in special coordination techniques.

Growth through Coordination

Stage 4 growth through coordination occurs through the use of formal systems to achieve greater coordination through more efficient allocation of corporate and local resources. As Greiner noted:

> . . . Decentralized units are merged into product groups. Formal planning procedures are established and intensively reviewed. Numerous staff members are hired and located at headquarters to initiate companywide programs of control and review for line managers. Capital expenditures are carefully weighed and parceled out across the organization. Each product group is treated as an investment center where return on invested capital is an important criterion used in allocating funds. Certain technical functions, such as data processing, are centralized at headquarters, while daily operating decisions remain decentralized. Stock options and companywide profit sharing are used to encourage employees to identify with the organization as a whole. (Greiner, 1998, p. 62)

The crisis, perhaps revolution, occurs over the accumulation of red tape. Systems and programs exceed their usefulness. A lack of confidence and resentment grows between line and staff, headquarters and the field, and different groups of employees over bureaucratic procedures. In addition, there is a lack of innovation and a rigidity in obtaining information, decision-making, and getting work done.

Growth through Collaboration and Innovation

Stage 5 growth through collaboration and innovation occurs as a result and reaction to the previous stage. This stage endorses interpersonal collaboration, flexibility, and behavioral leadership and management styles. While the previous stage emphasizes formal systems and procedures, this stage promotes spontaneity through teams and meaningful confrontation over interpersonal differences. Red tape and formal controls are replaced by self-discipline and social control.

This stage is accomplished through quick problem solving by cross-functional teams, reduction and reintegration of headquarters staff members, matrix types of structures with the right teams solving appropriate problems, conferences of key managers frequently held to solve significant problems, educational programs used for managerial training, real-time information systems integrated into daily decision-making processes, economic rewards for team more than individual performance, and experimentation with new practices across the organization (Greiner, 1998).

While Greiner did not identify a particular crisis that would develop from stage 5, he did state that the revolution stemming from the crisis in this stage would probably result from "psychological saturation of employees who grow emotionally and physically exhausted from the intensity of teamwork and the heavy pressure for innovative solutions" (Greiner, 1998, p. 64).

If this happens, part of the solution would be solved through new programs and structures that permitted employees to "… periodically rest, reflect, and revitalize themselves." (p. 64). The following scenario illustrates one example of this model.

Steve Jobs and Apple

Steve Jobs passed away from cancer in October of 2011, but his legacy continues in the Apple brand he created. The relationship between Steve Jobs and Apple exemplifies the dynamics of the organizational life-cycle model. Few, if any, CEOs have successfully reinvented themselves as many times as did Jobs at Apple. It may be more accurate to say that few CEOs have reinvented a company like Apple over its life cycle as did Jobs. While there are no definitive dates that characterize Apple Computer's organizational life cycle, the following grouping of stages (based on and reconstructed from Young & Smith, 2005; Mesa, 1997–98; Computer News Report, 2010; and Stewart, 2011) is an approximation designed for discussion and illustration of Greiner's framework.

The late Steve Jobs of Apple.

Apple Computer's *Entrepreneurial Stage*, based on the logic of the organizational life-cycle model, started before 1976 but lifted off April 1, 1976 when Steven Wozniak and Jobs launched their company. The Apple I computer sold for $666.66 dollars. In 1977 the Apple II was introduced as the first personal computer in a plastic case with color graphics. In 1980 Apple went public, selling 4.6 million shares priced at $22 dollars per share. It was an exciting and challenging time for the young technical geek Wozniak and the intellectually shrewd Jobs. Neither of them was a leader or manager but both were pioneers informally blazing a new historical path in very informal but focused ways.

The *Collectivity Stage* may have started in 1981 when Jobs brought in Mike Markkula to serve as Apple's first president. Jobs and Wozniak acknowledged that they did not have the skills for running a growing company at that time. The company struggled to launch the Macintosh (the first computer with a graphical user interface) in 1984. The machines were accumulating in storage and not selling during the Christmas season of 1984. Apple announced its first quarterly loss in the company's history and laid off 20 percent of its staff. The Collectivity Stage was coming to an end since there was a need for clear direction. Jobs was also fired after a power struggle with the newly appointed CEO John Sculley (former President of Pepsi), an older, experienced corporate ex-president who brought a sense of direction and order. There definitely was a crisis of leadership at this time. Wozniak left that same year and Jobs started NeXT Inc., another computer firm.

The *Formalization Stage* began and lasted during the years that Sculley, followed by CEOs Michael Spindler (former CFO at Apple) and Gil Amelio (1994–1997 at Apple) took unsuccessful turns at leading the company as they all tried to manage and innovate while formalizing systems and bringing order to Apple. Product innovation and quality suffered during this period. The bureaucratization, control, and lack of coherent delegation came to an end after Sculley and his last successor were let go.

Steve Jobs returned in 1997 as interim CEO, which marked the beginning of the elaboration and revitalization period. It is reported that very shortly after Jobs walked back into the Apple offices he was fired from 12 years earlier, "… wearing shorts, sneakers, and a few days' growth of beard, he sat down in a swivel chair and spun slowly … 'Ok, tell me what's wrong with this place?'… executives began offering some answers. Jobs cut them off. 'The products SUCK!' he roared. 'There's no sex in them anymore!" (Burrows & Grover, 2006).

Since his return to Apple until the day he had to retire in August, 2011, his product innovations and the company he built (some say a mix between GE and Disney) remain legendary. In 2001 the iPod, a palm-sized, hard-drive-based digital music player was introduced. In 2003 the iTunes Music Store which sold music, audio books, and movies for Internet download was launched. 2005 saw the introduction of the iPod that played video. During that year, Jobs also announced that Apple computers would use rival Intel Corp's microprocessors. During 2006, Apple started selling Macs that ran on Intel chips, and in 2007 the iPhone and iPod Touch were announced. In 2008 the App Store—an update to iTunes—was added to Jobs' list of innovations, and in 2009 Apple released the iPhone 3GS, which was later followed by the 4G version. Jobs brought the the iPad to market in 2010, a tablet computer with an Apple homemade processor. The global popularity of these products and innovations speaks directly to the success of Jobs' decision making in revitalizing Apple.

Greiner had a question mark in his original organizational life-cycle model after the elaboration stage, which indicated that an organization can either be revitalized to grow and prosper, or it can decline. Whether Apple's newest CEO Tim Cook can bring the same strong and savvy leadership and continue to revitalize Apple is, of course, still a question mark.

2.3 Organizational Development Frameworks and Methods for Diagnosing Change

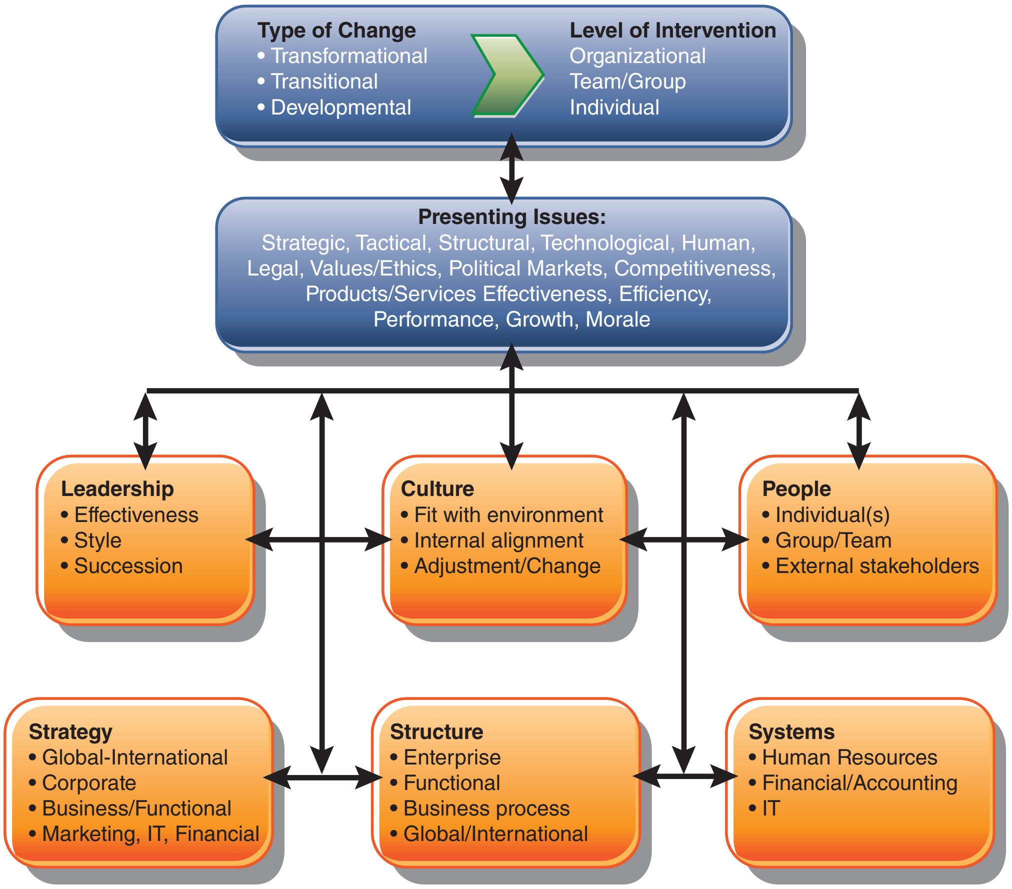
How do leaders determine the type of change their organizations need and what part(s) of the organization the change should target? In the previous section, we discussed models for diagnosing and assessing the present state of an organization—where it "is"—and possible future states—where it could "be"—focusing on the organization's: (1) "fit" within the environment, (2) life-cycle stage, and (3) how effectively and efficiently the organization uses resources to create, produce, and distribute products and services. Here we present methods for identifying an organization's type of change needed and **change interventions** to be used, that is, planned actions designed to help enhance an organization's effectiveness by solving a problem or creating an opportunity (Cummings & Worley, 2010).

Assessment Model: Determining What Changes to Make

Figure 2.5 provides an overall view of three types of changes and levels of intervention, issues, and opportunities that trigger a change, and organizational dimensions that may be involved in the change. Note that while Figure 2.5 appears sequential on paper, the connecting arrows are multidirectional between the dimensions. Assessing and planning changes are not mechanistic and are, as noted earlier, messy, sometimes political, argumentative, and—hopefully—creative but tempered with wise judgment.

We discussed three types of change in Chapter 1: developmental, transitional, and transformational. These changes are also referred to as first- and second-order changes. **First-order (adaptive) changes** are incremental, small-scale, fine-tuning, and developmental. These changes involve adjustments to systems, processes, and structures rather than fundamental or radical change to strategy, core values, or identity (Newman, 2000). Examples include installing a new software application in a department, revising procedures for a purchasing system, revising a training system for business users on a new IT system. The level of intervention in Figure 2.5 may be departmental, divisional, by team, by group, or by number of individuals.

Figure 2.5: Diagnostic change issues, opportunities, & interventions



Source: Adapted from Cummings, T. & Worley, C. (2009). Organizational development & change *(9th ed.). Mason, OH: South-Western, Cengage Learning.*

Second-order (discontinuous) changes are radical, transformational, and sometimes transitional in nature and involve the entire organization or different units (Bate, 1994). Such changes are also called "frame bending" and may be done with a "big bang" as illustrated by Hewlett-Packard's sudden, recent move out of the PC business and into software. Many change management texts and articles focus more on transformational rather than transitional and developmental changes. Frohman (1997), however, argued that small-scale organizational changes that involve personal initiatives deserve more attention. Frohman emphasized the importance of people to organizations, especially those who initiate and bring about local organizational changes by exceeding their job responsibilities, striving to make a difference, are action oriented, and focus on results. These people are known by staff members in their organization, but are recognized less by managers and higher-ups (Palmer, Dunford, & Akin, 2009).

Frohman's argument regarding the power of individuals within a larger collective is exemplified by Mohamed Bouazizi, the 26-year-old Tunisian street vendor who recently burned himself to death due to his feelings of helplessness over his government's obstruction of his livelihood (Fahim, 2011; Giuffrida, 2011; Ryan, 2011). His action triggered riots causing the Tunisian leadership to give up power and leave the country. His example is recognized as a factor in ushering in the "Arab Spring," the popular, grass-roots revolts that influenced the overthrow of Egyptian and Libyan governments, and that are, as of this writing, threatening the Syrian and Bahrain monarchies.

Interestingly, and tragically, Bouazizi was not the first Tunisian to set himself ablaze for that reason. Abdesslem Trimechon, another Tunisian, also took his life in the same way on March 3, 2010. Both were among several others who had previously burned themselves to death. However, in Bouazizi's case, he was captured on video. Locals fought and were successful in spreading the news through social media in Tunisia and the world. A local street vendor's action, in effect, set in motion events that would consequently overthrow regimes which no armies could have done in so little time. Small changes from individuals can cause transformational results affecting nations and kingdoms as well as business organizations.

Tunisian demonstrators holding up a photo of Mohamed Bouazizi, the 26-year-old Tunisian street vendor who recently burned himself to death due to his feelings of helplessness over his government's obstruction of his livelihood, and whose single act helped galvanize a national revolution.

Figure 2.5 shows three **levels of intervention**, that is, planned actions to enhance an organization's effectiveness that focus on the organization, team or group, or individual. This also is an important decision that if misjudged could be wasteful and costly. McGraw-Hill, for example, is reviewing whether to separate and sell its school textbook and testing business which has suffered from state budget cuts (Chon & Trachtenberg, 2011). The company used Evercore Partners, an independent bank, to assess options for its education business. McGraw-Hill chose not to break up its larger education division at this time. The company is divided into four business divisions (Standard & Poors, Financial, Education, and Information & Media). Shareholders blamed the company for taking too long in reviewing this decision.

On the other hand, rushing to decide without scrutiny of the type of change and the level of intervention can, as noted, be costly. The Bush Administration defined the Iraq War as a transformational change that would initially involve only the Saddam Hussein regime as the change target. A major intervention strategy was that of "Shock and Awe" bombing—the threat of an overwhelming force to be accomplished in record time. After almost a decade of continuing war involving numerous countries, the accuracy and validity of that assessment and decision remain questionable when reviewing some of the tangible outcomes. For example, fatality estimates to date include more than 100,000 Iraqi lives (iraqbodycount.org). According to this report, "This data is based on 26,676 database entries from the beginning of the war to 19 November 2011. The most recent weeks are always in the process of compilation and will rise further. The current range contains 6,747–7,001 deaths (6.5%–6.2%, a portion which may rise or fall over time) based on single-sourced reports" (iraqbodycount.org), 4,477 U.S. soldiers killed, and 32,130 U.S. soldiers seriously wounded as of July 11, 2011 (Hanlon & Livingston, 2011). According to the CBO (Congressional Budget Office), the projected costs of this war to the United States through 2021 would total $1.8 trillion (Belasco, 2011).

Presenting issues in Figure 2.5 are problems and opportunities that are believed, perceived, and/or argued to be of primary importance for requiring a planned change. Several classifications of issues that organizational leaders use to identify and justify changes are listed in Figure 2.5. The examples offered in this chapter exemplify several of these motivations to change; for example, Hewlett Packard's selling its PC business and acquiring a British software firm to compete with Google, Facebook, and Apple; Apple's continual product innovation to grow and compete with mobile phones and PC companies; the war against Iraq, and WorldCom/MCI's need to survive an illegal scandal and crisis, which will be discussed later in this chapter.

How many of these transformations are successful? According to a 2008 McKinsey study, only one transformation in three succeeds (Aiken & Keller, 2009, p. 102). While there is an abundance of theories, anecdotal conjecture, as well as some substantial evidence to explain this failure rate, it can be argued that the presenting issues of leaders whose rationales are not supported by evidence may also be a contributing factor. Organizational development (OD) literature and practice offers models for researching the issues requiring change.

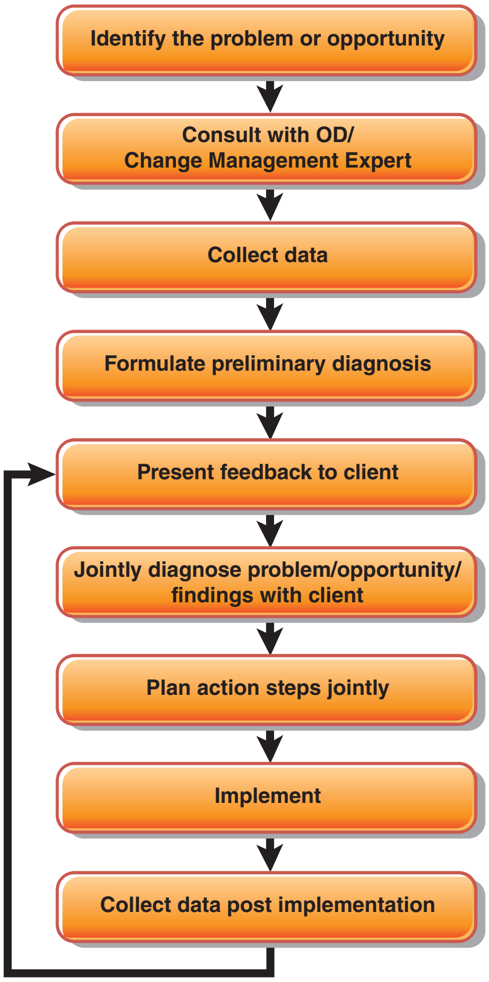
Action Research Model

The Action Research Model, shown in Figure 2.6, is "the dominant methodological basis for planned change" (Cummings & Worley, 2001, p. 27). It was originally adapted to an applied organizational development context by Frohman, Sashkin, and Kavanagh (1976); Shein (1980); and Cummings and Worley (2001, p. 27). This approach is designed to provide objective information and analysis that goes beyond the superficial level of presenting issues discussed above.

The straightforward process in the model is presented from the perspective of an external consultant. In practice, the change specialists are considered "co-learners" with organizational members with whom they are working. As Cummings and Worley state, "Neither party dominates the change process" (2001, p. 27). Both bring different and important expertise and perspectives.

Locating and understanding the source of a problem or issue is, then, both the change specialist's and the organization's task. The symptoms of the problem could be external to the organization, while the causes stem from internal sources. The consultative, problem and/or opportunity search process shown in Figure 2.6 illustrates how potential sources of organizational problems and opportunities are discovered from structured steps. As noted with other figures in this text, the actual change cycle is rarely as linear as this model suggests. There usually are continuous feedback loops (informally and formally) as contingencies, mishaps, and changes in the environment and the organization occur.

Figure 2.6: Action research model



Identify the Problem or Opportunity

The initial phase begins when a CEO, or other top level member of the executive team, discovers a problem(s) or realizes a potential opportunity that needs to be solved. Consider the following example: Kevin Rollins, a previous vice chairman at Dell Computer, said his company was always "scouring for anything that could come up and bite us. In fact, we asked ourselves all the time, 'What is our greatest fear?' Whenever we find something, we try to figure out how we can embrace it." Jack Welch, former GE CEO, would talk to his managers about the "dynamics of the industry" and develop a "feel for the playing field." They would then explore what "we wanted to do to change the game" (Fulmer, 2000, p. 138).

Consult with the Client—Initial Meeting

The initial consultation between the change consultant and the client involves a mutual assessment of purpose, roles, and relationships. The client generally is interested in the consultant's experience, expertise, methods, and fees. The consultant is likewise interested in the client's methods, as well as its organizational culture and goals.

Culture and other assumptions should be clarified, including those of the consultant. For example, in international settings it is important to understand what roles, information, and level of involvement lower and mid-level employees can play in problem identification, diagnosis, and other phases of the process. In some countries (e.g., Asian and Middle Eastern) relationships and power are more hierarchical than they are in the West. OD consultants whose values, perceptions, and practices view employees as partners and co-learners in certain international, or even local cultures could be presented with problems.

Value differences can also vary in both international and national cultural contexts. Some consultants view their role as identifying and solving any problem they identify, whereas top management may disagree. What happens when a consultant discovers systematic sexual harassment while diagnosing an inventory system? This problem is reported to management who may be uninterested in the problem and ask the consultant to avoid the issue. Communicating a clear understanding between the consultant and the client with regard to work and professional values and operating ethical principles and practices is important before and at the contracting phase.

Another role-and-method question to be clarified at this phase is how proactive the consultant should be in the engagement. It is best to obtain this type of information and understanding at the contractual phase where the consultant asks for clarification on cultural "dos and don'ts" that extend from strategic to procedural decisions and ways of doing (or not doing) things.

Collect Data

As noted above, the presenting issue or opportunity needs to be verified. The consultant and his or her team gain access and, depending on the problem or opportunity, begin the search and collection process using interviews; observation (meetings, business processes, transactions); questionnaires and surveys; performance reports; financial data; and other information relevant to the consultant's search plan.

This phase is usually an iterative process; that is, members of the consulting team may return for additional information to get a longitudinal set of observations instead of "one-shot" looks or interviews. Consultants may also interview customers, vendors, suppliers, and other external stakeholders relevant to the search.

At this stage, confidentiality and privacy (as well as other ethical issues) must be strictly clarified, agreed on, and observed. For instance, how will the information be used? How will it be interpreted, protected, and disseminated? Who can get unintentionally hurt by this information? In addition, some of the same cultural issues already discussed also apply here. For example, Mack and colleagues (2005) discuss ethical guidelines for observing confidentiality and privacy during this phase of data collection. They state, "you should be discreet enough about who you are and what you are doing that you do not disrupt normal activity, yet open enough that the people you observe and interact with do not feel that your presence compromises their privacy. . . . there is no reason to announce your arrival at the scene; in many others, however, it is essential that you openly state your identity and purpose" (Mack, Woodsong, Macqueen, Guest, & Namey, pp. 16–17). Overall, it is the responsibility of an OD consultant to protect the privacy and integrity of all individuals and groups who participate in surveys, interviews, and discussions that relate to the data collection process; and, at the same time, provide truthful information and results to the sponsor of the consultancy.

Make a Preliminary Diagnosis

This diagnosis comes after the collection and interpretation of all the data. The preliminary diagnosis is just that—preliminary. Because the consultant is reporting the findings and interpretation back to the client, it is important to note that the diagnosis could change as more information is collected. Also, additional hypotheses and different views of the problem or opportunity may arise after initial data is collected. This raises the question of the role of the consultant as just a messenger who delivers what she or he is told, or as a more active and inquiring participant. The consultant may have started with an initial request to find data that confirms top management's interpretation of a problem, and then later discover information that disconfirms management's problem identification. If the consultant discovered another, radically different set of problems, how to present and discuss this situation should be anticipated in this phase. In such a case, being honest and discreet is key. Feedback to an organization serves two purposes: to ensure validity of interpretation of the results and to increase ownership among the members of the organization (McLean, 2006).

For example, a manager hired a consultant to "prove that members of a sales team were lazy and not performing to their potential." However, the consultant later found that preliminary evidence indicated that the leader of that team was not setting an effective strategy. It is the consultant's obligation to report this evidence, even though it is contrary to what the hiring manager asserted, as "preliminary"—not absolute.

If preliminary results differ, even conflict, with later discoveries, consultants can provide the context and explanation of their findings. Again, an OD consultant's role is to report what actually happened or is happening in order to find the root cause(s) of problems, issues, and possibilities for opportunities.

Present Feedback to the Client

This is also a preliminary phase in which the consultant presents an analysis of the data with interpretations. During this initial "show and tell" no recommendations are made. This meeting presents strengths and weaknesses and confirms, disconfirms, and even extends the initial problem identification or opportunity statement. This meeting also provides the consultant with initial impressions regarding the findings before the next step. During this phase, a consultant's obligation is to report and emphasize findings and recommendations based on reliable evidence. Returning to the sales leader and team example, at this meeting, the consultant presents all the evidence, data, and interpretations found that show that the leader of the particular team could not articulate a strategy that motivated and effectively organized the team to meet and exceed its sales

A critical aspect of a change specialist's job is to provide timely, comprehensive, objective feedback to the client.

objectives. The consultant would also explain the methods used to discover and confirm this finding and offer recommendations to address the problem.

Jointly Diagnose Problem/ Opportunity/Findings with Client

This process will offer the consultant an opportunity to share the preliminary findings, methods used in the diagnosis, and the diagnosis. If the consultant develops a common frame of reference in which the client can collaboratively discuss, share, argue, and ultimately reach agreement on the methods, problem/opportunity, and ways to proceed, the process can continue and the action research method can, to this point, be considered effective (Schein, 1969). Involving clients as co-participant observers in a consulting project, as discussed in the first chapter, facilitates the reporting of findings and diagnoses of problems and opportunities. The consultant from the previous example can provide a framework and frame of reference to involve the hiring manager and/or staff members to also examine the evidence and help diagnose the issues of that team and its leader.

Instigate Joint Action Steps

The consultant now directly involves the client in planning how to implement the change management process in order to reach the "desired state" of the initiative. The design of the interventions to be used is also agreed on in this phase, along with the assessment of the organization's readiness, capabilities, resources, budget, risks, timelines, and responsibility chart (who does what, when, and how). Enterprise- or organization-wide change requires a communication rollout plan involving the leaders and the top-level management team of the organization. After the hiring manager and the consultant discover, verify, and agree that the leader of the sales team was having difficulty identifying and implementing an effective team strategy, both the manager and consultant draw up a plan to help the leader design and enact a sales strategy. The manager and consultant may also have found that not only the leader of this particular team, but leaders of other sales teams could also benefit from learning how to develop a more sophisticated sales strategy using new software. In effect, the plan involved a much broader scale and scope of participants, and the president of the company as well as the hiring manager and vice president of sales all were involved in planning the new training because the promised benefits would enhance revenues, and reduce some costs, of the entire company.

Implement Change

This means "go." This phase involves actually transitioning procedures, structures, work, jobs, technologies, and people into place. New behaviors and practices may require training, coaching, and advising to build new skills and reinforce desired behaviors. At this phase, interventions are required at the individual, team, business unit, division, and entire enterprise levels. In the sales teams example, an implementation plan involved not only training to use new software, but also new reporting procedures, skills, and behaviors that affected all sales professionals' overall effectiveness.

Managing Change

The Change Consultant's Role

A large corporation utilizes an office services support company. The company has served the corporation's needs in-house for five years, performing maintenance duties, cleaning, shipping/receiving, printing, mail delivery, and service to copiers. The manager of the services company has a direct liaison in the corporation's operations department, and the working relationship has been strong thus far.

In recent months, the amount of complaints from employees has risen, from cleanliness to printer outages. There have been equipment problems and the level of service requests has increased to a level that is challenging for the amount of staff on duty at any given time.

You are a change consultant brought in by the corporation to work with both the operations representative and the service company manager to systematically diagnose and implement needed changes.

1. What stage or phase of growth do you think this office services company falls into, and what type of leadership is needed to return to positive progress?
2. What type of change do you think is needed, in general?
3. As the change consultant, using the action research model, describe the process for diagnosing change in this circumstance.

(See page 217 for possible answers)

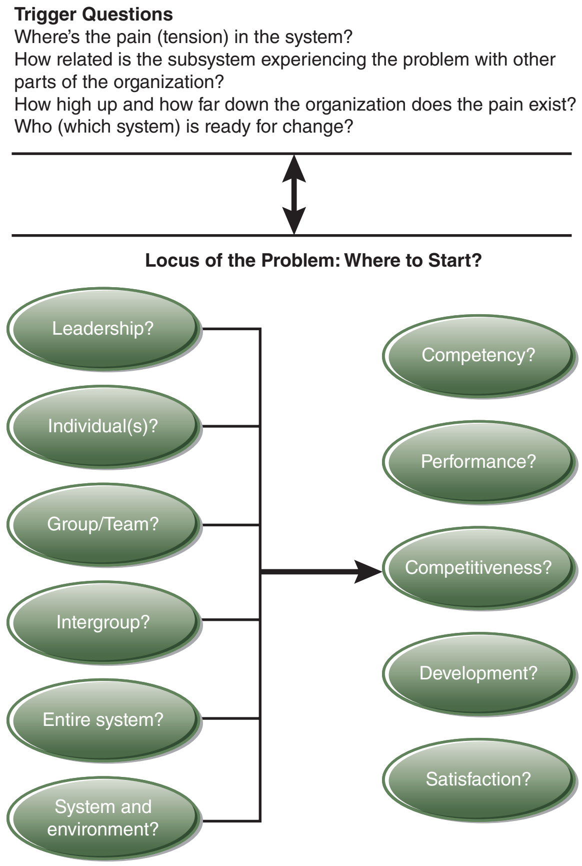
Collect Post-Implementation Data

This requires gathering further data and information from individuals, teams, business units, divisions, and top management—as well as from external stakeholders (vendors, suppliers, customers, government agencies)—to ensure the effectiveness of the changes, both from an internal systems perspective and from an external view. Feedback from multiple departments helps identify how aligned the systems changes are and how effective they are. This information is in turn given to different client teams and individuals who evaluate the results and then make adjustments and changes as needed. In some cases, of course, additional diagnoses of certain systems and activities are required.

Diagnostic Change Tactics: Identifying the Level(s) of Intervention

Identifying the level of intervention, referred to in Figure 2.5, occurs during the action research process when an external consultant working with assigned organizational managers and members follow evidence leading them to specifics such as leadership, strategy, structure, culture, people, and systems, or interrelations among these dimensions. In addition to these organizational dimensions, the change components illustrated in Figure 2.7 are also useful and more basic.

Figure 2.7: Focus of organizational change



Source: Adapted from Cohen, A., Fink, S., Gadon, H., & Willits, R. with Josefowitz, N. (1992). Behavior in organizations, *(5th ed.) (pp.424–426). Boston: Irwin.*

For example, at Apple when Jobs was fired, the locus of many of the company's problems was obvious. The leadership styles of Sculley and the two other CEOs before Jobs returned were lacking. Because Apple was essentially a product company, without Jobs' creative and innovative leadership, new products were not invented. Consequently, there was confusion and decline in the strategy, structure, culture, and systems. Morale of the employees at Apple also suffered during that period. Revenues and profits tumbled while expenses mounted. Apple's story before Jobs returned illustrates that organizations are systems and sub-systems interconnected and interrelated that include both formal and informal components. Formal components generally include organizational strategies, structures, systems, and business processes. Informal organizational dimensions include culture, leadership styles, politics, groups and team relationships. Both formal and informal systems are interwoven with the values, beliefs, and attitudes that people bring to and adapt from their workplaces (Senior & Fleming, 2006).

2.4 Planning Approaches for Transformational Change

The need for large-scale transformational change requires comprehensive planning approaches that both the OD and change management fields offer. Multistep roadmaps that are among the most popularly used by all types of organizations are those of Kotter (1996) and Cooperrider and Whitney (1999). These two approaches include "… leadership, shared need, guiding coalitions, commitment, communicating, changing structures, empowering others, and making change last" (Gilley, McMillan, & Gilley, 2009). Both approaches have also been used for transitional changes that involve divisions, departments, and business units of organizations.

Examples of programs that result from transformational planning processes range from mergers and acquisitions, restructuring, new leadership and management, cultural change, and crises requiring complete organizational turnarounds—as will be described in the first approach.

Kotter's Eight-Step Approach

One of the most widely used planning methods is Kotter's (1996, 1998) eight-stage change process as shown in Figure 2.8. This approach is used as a planning diagnostic and as an implementation method.

Figure 2.8: Kotter's change process

Kotter's 8-step Change Process
1. Establish a Sense of Urgency
2. Form a Powerful Guiding Coalition
3. Develop a Vision and Strategy
4. Communicate the Change Vision
5. Empower Others to Act on the Vision
6. Generate Short-term Wins
7. Consolidate Gains and Produce More Change
8. Anchor New Approaches in the Culture

Source: National Resource Center. (2006). Eight steps to transform your organization. National Resource Center E-Newsletter, Vest of the Best. *Retrieved from http://www.ccbest.org/management/eightstepstotransform.htm*

Establish a Sense of Urgency

Kotter argued that large change plans generally fail if there is not a *sense of urgency* created and realized first. The sense of urgency refers to the "pressing importance" of action needed to address critical issues… now (Kotter, 2008). "*Critically important* means challenges that are central to success or survival, winning or losing" (Kotter, 2008, p. 7). This goes against common knowledge of assuming that planning processes start with either a vision or goal. Not so in Kotter's model. Without an initial sense of urgency, people will not be motivated, according to Kotter. Creating a sense of urgency involves examining markets and competitive realities and identifying and discussing crises, potential crises, or major opportunities.

In the case of the telecommunications company WorldCom, a sense of urgency was created by a crisis the firm faced—one of the most notorious corporate scandals and largest bankruptcies in American history at the turn of this century. Bernard Ebbers, the founder and CEO of WorldCom (which later bought MCI in 1998), borrowed $400 million to pay for an extravagant lifestyle while he and a few officers ran the company into debt while lying to its board of directors and shareholders about the company's declining earnings. The scheme resulted in the fraudulent reporting of more than $11 billion the company did not have. Ebbers was indicted and sentenced to 25 years in prison. MCI WorldCom, as it was called then, filed for bankruptcy and was acquired by Verizon (What is WorldCom, 2010).

The relevance of this story is WorldCom's road to recovery under the former president of Hewlett-Packard and Chairman and CEO of Compaq Computer, Michael Capellas, who was named the new CEO and Chairman in 2002 (Pandey & Pramod, 2006). With a "100 Day Plan" he drafted to move the company from bankruptcy, he set a tone of urgency by accepting the resignation of the majority of WorldCom board members, and he followed with a press release of his key initiatives for the next 100 days. He emphasized the company's commitment to corporate integrity with employees and the public, then rallied employees with motivational signs posted on MCI facilities in different countries that stated, "Act with an outrageous sense of urgency" and "We have a need for speed" (Hulbert, n.d.). He posted a countdown clock on the company's internal website using the 100 Day Plan's key goals to energize everyone. He also called for the filing of a reorganization plan to be completed. Using strategies that resembled and paralleled Kotter's approach, Capellas and his team formed a plan that worked as shown here.

Form a Powerful Guiding Coalition

According to Kotter, the second stage of planning change is to *form a powerful guiding coalition* by assembling a group with enough power to lead the change effort and encourage the group to work as a team. The team can consist of top-level officers and/or involve other key influential people in the organization. Capellas accomplished this with a number of officers whom he enlisted in his 100 Day Plan.

Create a Vision

This coalition, according to Kotter, then *creates a vision* to help direct the change effort. Not only is a vision articulated but strategies for achieving that vision are also laid out. Capellas' vision was to convince employees that the company had a future and that the workforce could determine the company's destiny—despite all the external forces crushing it at the time (Hulbert, n.d.). Also, beyond the short-term focus of escaping from bankruptcy, "Capellas anchored his 100 Day Plan in a longer-term picture of what MCI would become: a company that would usher in major IT advances through its Internet Protocol (IP) network, focusing greater attention on business customers and less on consumer markets" (Hulbert, n.d.).

Communicate the Vision

Kotter also stated that the coalition must take charge to *communicate the vision* that involves using every vehicle possible to ensure that employees understand the new vision and strategies. Communication also involves teaching new behaviors that the guiding coalition models and exemplifies in their own behaviors. Capellas supported and assisted employees in comprehending the hurdles that confronted the telecom industry. He let them know that they were all in this business for the long term. In addition to communicating with individual employees about the vision, Capellas met with most of the company's major business customers, conducted an all-employee broadcast/webcast, and led town-hall meetings in six of MCI's major facilities after being in the position for 30 days (Hulbert, n.d.). Capellas used a communications team to help out, but he set the tone and the message for change.

Empower Others to Act on the Vision

Kotter noted that it was important to get rid of obstacles to change by changing systems or structures that seriously undermine the vision and to thereby encourage risk-taking and nontraditional ideas, activities, and actions by personnel. Capellas used the communication strategy to involve and get top-level officers of the company, along with employees, motivated and informed to implement the vision—activities that former CEO Ebbers would never have dreamed of. For example, Capellas mounted the following information sharing campaign: He had 8 conference calls to all MCI employees at the level of director and above; 7 worldwide all-employee broadcast/webcasts that he conducted with his management team; he led 25 all-employee "town hall meetings," at the MCI headquarters building; and called 6 quarterly face-to-face, two-day meetings with MCI's top 80 executives to review MCI's business and progress toward emergence from Chapter 11 bankruptcy (Hulbert, n.d.). Knowledge is often power, and so by Capella disseminating the vision and strategy of the company to all employees, he was summoning the power of each individual to contribute in their own unique ways.

Empowering employees is a vital part of any change process.

Plan for and Create Short-Term Wins

Next, Kotter argues that it is necessary to **plan for and create short-term wins** which involves the need to create visible performance improvements. Once these improvements are created, it is important to recognize and reward employees involved in the improvements. Capellas filed the company's reorganization plan and secured support for it from 90% of MCI's creditors. He recruited and installed a new management team; developed a new business code of conduct with a "zero tolerance" policy for ethics violations; expanded the company's flagship consumer product, The Neighborhood, to all of the contiguous 48 states, retaining the company's top 300 business customers; and developed the company's three-year business plan (Hulbert, n.d.).

Capellas then intentionally met four key milestones in his plan that showed stakeholders his turnaround vision was working: Capellas produced his cost-reduction plan to the public as his first milestone on February 3, 2003; for his second milestone he announced his financial assessment of the company showing the strength of the firm on March 13, 2003; for his third milestone on March 17, 2003, he announced his achievement of two MCI flagship products that were available in 48 states; and then on March 26, 2003, Capellas declared profitability for the month of January (Pandey and Pramod, 2006).

Consolidate Improvements and Produce More Change

After planning and celebrating short-term wins, Kotter states that change leaders must then *consolidate improvements and produce still more change*. They can do this by using increased credibility to change systems, structures, and policies that don't fit together or with the new vision. They can also hire, promote, and develop employees who can implement the vision and reinvigorate the process. MCI, under Capellas' leadership, designed and rolled out a worldwide employee ethics training program. In addition, the company's financial controls and in-house finance team were rebuilt; 1,500 finance professionals (inside and outside MCI) reconstructed 10 years of financial history in order to provide three years of audited financial data to the SEC; a new CFO, General Counsel, and Chief Ethics Officer were added to the nine-person management team along with seven new board of directors members; corporate governance reforms were implemented along with one of the largest corporate ethics programs ever designed to train 50,000 employees worldwide; and the company's business was restructured around four customer-facing groups that included a new P&L (profit and loss statement for the entire company) breakout system for the entire organization (Hulbert, n.d.).

Institutionalize New Approaches in the Culture

Finally it is important to *anchor and institutionalize new approaches in the culture*. This is accomplished by increasing performance through customer and productivity-related behaviors. Also by articulating and reinforcing the connections between the new behaviors and organizational success, change leaders and managers embed the changes in the new culture. On April 14, 2003, WorldCom announced the completion of its 100 Days Plan and a change of its name from WorldCom back to MCI (Pandey and Pramod, 2006, p. 146).

Finally, as Figure 2.8 shows, Kotter argues that by developing the means to ensure leadership development and succession, the current leaders help sustain critical changes. Capellas left as CEO when Verizon merged with MCI in 2006. Leadership succession planning is not easy. Capellas was hired to move WorldCom out of bankruptcy and to save the company. He succeeded. When Verizon stepped in, it was a completely new chapter for MCI.

The successor to Steve Jobs at Apple, Tim Cook has a difficult task in trying to compete with the legacy of Jobs as well as continue to evolve Apple to stay strong and competitive moving forward.

So, according to Kotter, the need to "anchor and institutionalize" effective changes in an organization through succession planning (i.e., setting in place the next CEO and other leaders) is a worthy goal. When a strong leader leads an organization through an effective transformational change but fails to select, groom, and ready a successor to take his or her place, those changes the organization makes may not be sustained. However, finding a strong successor is easier said than done in practice, especially for those leaders who must follow superstars like Steve Jobs and Jack Welch. For example, Welch passed GE's leadership to Jeff Immelt who over the past two decades has more critics than admirers. With one of the worst U.S. economies in history, Immelt has not been able to keep up with the performance levels that Welch accomplished—the company's stock has fallen by half the amount that was obtained during Welch's tenure (CNNMoney.com, 2011). Tim Cook, Steve Jobs' successor, will also likely experience difficult times in creating and sustaining the innovations Jobs created. Anchoring and institutionalizing effective transformational changes in organizations is, then, a difficult task.

Appreciative Inquiry Model

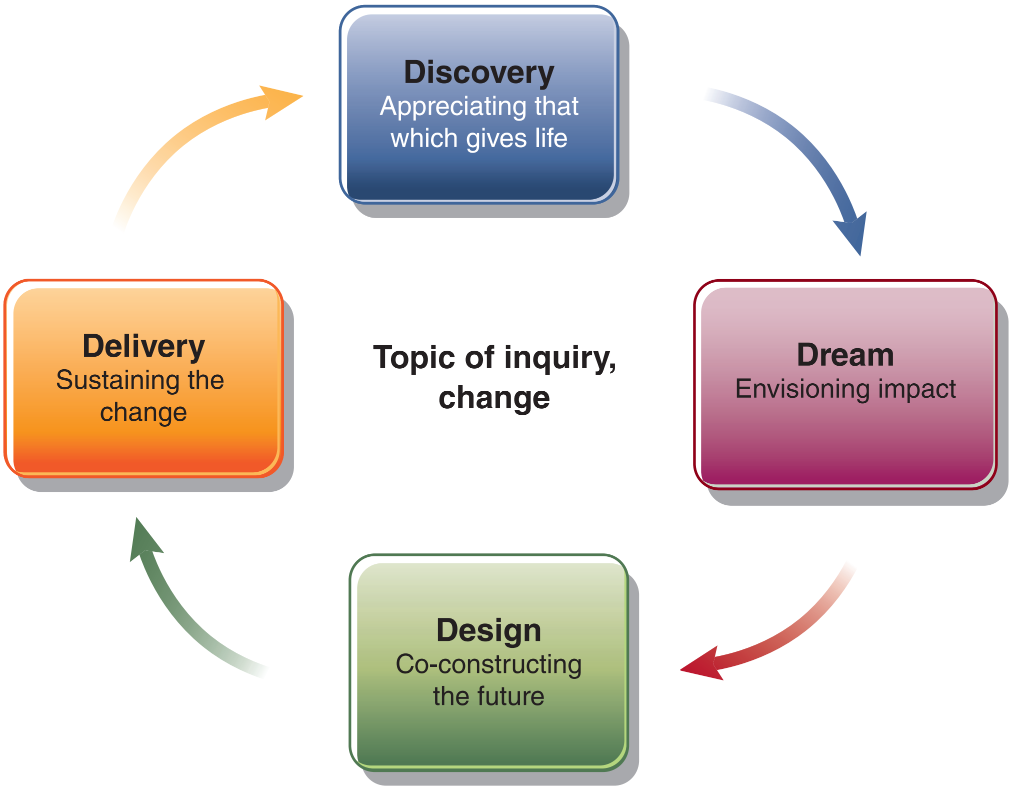
A very different and interesting approach to change from the Kotter model is the Appreciative Inquiry (AI) process. Unlike traditional problem-solving approaches, AI engages people across the organization in creating positive change that focuses on learning from success (Cooperrider, Whitney, & Stavros, 2003).

> Appreciative Inquiry is the cooperative search for the best in people, their organizations, and the world around them. It involves systematic discovery of what gives a system 'life' when it is most effective and capable in economic, ecological, and human terms. AI involves the art and practice of asking questions that strengthen a system's capacity to heighten positive potential. (Cooperrider & Whitney, 1999, p. 5)

AI is a popularly used method in all types of organizations—profit, not-for-profit, governments, educational institutions, hospitals, and large private and publicly traded corporations internationally. We discuss the methods first before turning to a review of the approach in theory and practice.

AI starts by asking, "What is possible? What do we wish to achieve?" The approach applies at any level: individual, group, department, division, or for the entire organization. At the organizational level, AI starts by involving a large group of individuals that includes leaders, employees, members external to the organization (e.g., customers, partners, suppliers), and then moves across groups with designated individuals in each group recording main insights to be combined and analyzed. Figure 2.9 depicts the overall model. We explain the process from each of the four phases, or the four "Ds": discovery, dream, design, and delivery.

Figure 2.9: Appreciative inquiry 4-D model



Source: Based on Cooperrider, D. & Whitney, D. (1999). Appreciative inquiry: Collaborating for change. In Holman, P. & Devane, T. (Eds.). The change handbook: Group methods for shaping the future *(p. 5). Williston, VT: Berrett-Koehler.*

Discovery Phase

The *discovery phase* is purposed to mobilize a systemic inquiry into the positive change core (Cooperrider & Whitney, 1999). Each individual in each group (8–12 people) is interviewed and interviews others on the selected topic or question of positive inquiry that is grounded on "the best of what exists." Selecting the topic starts the adventure into the process and requires searching for positive statements of what is desired by the organization. The topic represents what the organization wants to discover and/or learn and what will evoke dialogue about a desired future, or what people want to see develop in their organization (Stevenson, n.d.).

Examples of topical questions with regard to attorney/employee satisfaction in law firms are: "What situations or circumstances created your loyalty to this firm? Describe a situation in which you felt that you received exceptional mentoring. How are you best mentored?

Describe a situation in which you feel that you were best supported by the firm. Describe your most meaningful experience of pro bono work" (Clark, 2004). The results of the discussions and reflections are recorded and serve as a resource during the next phase.

Dream Phase

In the *dream phase*, participants envision the organization's greatest potential for positive influence and impact on the world, not only on their organization. Participants share dreams through stories, recollections, and reflections collected during the interviews. The intent during this phase is to energize the participants and their insights through a mutually shared learning process. Possibilities and new ideas emerge about the topic as participants are encouraged to dream big.

Design Phase

During the *design phase*, each individual and the group begins to craft an organization to enact positive change. The design phase bridges the best of "what is" the present state within the organization towards a speculative or intuitive "what might be" future state. "Provocative propositions" are created and shared about the organization and about the future, which is stated as if it was reality. This phase creates a platform and basis to develop the idealized state derived from the first two phases of the process. Actual organizational dimensions are discussed with concrete characterizations in terms of the leadership, culture, strategy, shared values, business practices, social responsibility, competencies, stakeholder relations, and desired results in financial, diversity, or other areas (Stevenson, n.d.).

Destiny Phase

Finally, the destiny phase involves an invitation to action inspired from the other phases of discovery, dream, and design. During this phase groups publicly declare intended actions and ask for support to consider next steps. Self-selected groups are organized to move the organization forward with implementation considerations.

The AI Approach in Theory and Practice

Kinni (2003), in the *Harvard Management Update*, summarized two successful cases that used AI. These cases are representative of the strengths of the approach. The Waterbury, Vermont-based Green Mountain Coffee Roasters (GMCR) is a $100 million specialty coffee company. Founded in 1981 by CEO Bob Stiller, GMCR had by 2000 tripled its sales force and doubled the plant size. It selected the use of the AI approach to "… capture the economies of its new scale. If it could not do so, the company might find itself sinking under its own significantly increased weight" (Kinni, 2003, p. 1).

The company organized formal AI sessions that involved 200 people, or half its employees, to focus on raising productivity. The CEO believed that taking a positive approach would tend to lead to a positive effect. During the process, the company discussed its major business processes—procure-to-pay, order-to-cash, plan-to-produce, and market-to-sell productivity. The former CFO, Bob Britt, reported that "We identified the one best path in each process and asked, 'Why don't we do this with everything?'" (Kinni, 2003, p. 1).

Green Mountain Coffee used the AI approach with great success. The company continues to change and expand.

By focusing on the positive—using the 4-D method shown in Figure 2.9—the CEO reported that the initiative resulted in changing purchase orders for all buying activities, which in turn reduced competitive bid costs and processing payables. Cash flow was increased by optimizing the order entry and delivery systems, which sped up the receipt of revenues.

The Santa Ana Star Casino in Bernalillo, New Mexico, provides another example. The general manager John Cwiklik used AI to financially turn the organization around. The establishment opened in 1993 and had the largest market share in the region until competition arrived. And even with a $60 million facility expansion, the casino was in fourth place (Kinni, 2003, p. 1). Problems appeared in the form of poor customer service and lack of employee attention and engagement with customers; few people smiled or talked. As Cwiklik stated, "There was also a feeling on the employees' part that management didn't care about them, didn't want to talk to them" (Kinni, 2003, p. 1).

The general manager engaged the entire 820-member staff in an AI consultation focused on delivering a superior service experience to customers. However, when the casino was pressured to lay off 250 employees in October 2002, many developed a mindset that the AI effort played an unexpected role. Cwiklik stated, "We had to do it to save the business but we wanted to do it in an appreciative way" (Kinni, 2003, p. 1). In an effort to use best practices, the casino achieved it goals and gave a generous severance and outplacement package to permanent employees.

The general manager again turned to AI consultants in December 2002 and in January 2003, with the aim of repositioning the business as "The Hometown Casino" to bring in local customers. Cwiklik stated, "We did an AI in our table-games department and in our slots department. We asked employees how to become this new hometown casino, and we took their ideas and implemented them in our marketing and operations" (Kinni, 2003, p. 1). One result, Cwiklik noted, was a $10 million turnaround in operating profits in fiscal year 2003. He stated, "AI has been instrumental in making our numbers a lot better" (Kinni, 2003, p. 1).

Effectiveness and Questions about the Approach

Case studies, anecdotal evidence, and testimony demonstrate that AI as a transformational change method has been successful at the individual, group, community, corporation, and national levels (Browne & Jain, 2002; Kelm, 2005; Cooperrider, Whitney, & Stavros, 2008). Still, some scholars argue for more empirical, longitudinal, and comparative studies to address such questions as: How long lasting are the effects of an AI consultancy? Does this method fit with a particular cultural or managerial orientation, that is, could the failure of an AI project be attributed to a particular consultative style, facilitator skills, or cultural context? Also, under what conditions would this method be considered an effective change process? (Bushe, 2010, 2011). These unanswered questions are fair and can be applied to any and all change methods. In the meantime, AI remains a respected and major change approach among the many that are available.

2.5 Understanding and Assessing Resistance to Change

The best change strategies and plans can be compromised if the human factor is neglected. Ultimately, regardless of what diagnostic model is employed or what strategy for change will be put into place, it is people who directly enact the change, and it is people who are directly affected by the change. To not account for such a critical factor in all phases of the change process is to greatly imperil the strategy as a whole. The following story based on actual events illustrates what can happen when an organization's personnel are neglected or overlooked in the change process:

> An organization decided to implement a cost reduction strategy asking its Operations and IT functions to select a potential target as an opportunity. They chose to consolidate the use of printers. Not thinking or paying attention to the number of employees who had their computers connected to individual printers in their offices, the Operations and IT groups decided to install conveniently located networked printers for employees who could connect wirelessly to the printers. Projected savings were quoted as $3 million annually. Senior leaders agreed to the plan; the printers were purchased, and employees were informed of the new system and all the benefits that it provided.
>
> Less than a month after the printers were installed, IT employees began collecting individual printers from professionals' offices. There was a collective outburst of resistance from those whose printers were removed. Employees complained of the inconvenience of the new setup, that they had no input into the decision, and that their confidential documents would be exposed. (The networked printers are only feet away from employees who need to print.) The amount of resistance pressured senior leaders to gradually implement the program over two years, decreasing the projected savings significantly. (Henson, 2009)

Why People Resist Change

Why do people resist change? There are, of course, many reasons. Change is often uncomfortable and even threatening for some. Others do so because of lack of trust or confidence in their leaders and managers, or the change does not make sense, it has not been explained or substantiated. Still others resist for political, personal, and even selfish reasons. Because most large scale changes fail, resistance can be expected. Also, if change is not led or managed competently, why wouldn't people resist? We explore additional reasons for resistance and suggest some assessment and planning methods that detect, and can therefore better prevent, resistance. If, however, particular changes are not accurately or well defined, led, and managed, resistance may be a legitimate response. What is your tolerance for change? Please take the assessment in Assessment 2.1.

Assessment 2.1: "Thinking about change"

Instructions: Thinking about "change in general," indicate whether you agree or disagree with the following statements. Mark your answers in the space provided. 1 = Strongly Disagree; 2 = Slightly Disagree; 3 = Neither Agree nor Disagree; 4 = Slightly Agree; 5 = Strongly Agree

1. I look forward to changes at work.	1	2	3	4	5
2. I usually resist new ideas.	1	2	3	4	5
3. I am inclined to try new ideas.	1	2	3	4	5
4. Change usually benefits organizations.	1	2	3	4	5
5. I usually support new ideas.	1	2	3	4	5
6. Most of my coworkers benefit from change.	1	2	3	4	5
7. I don't like change.	1	2	3	4	5
8. Change frustrates me.	1	2	3	4	5
9. Changes tend to stimulate me.	1	2	3	4	5
10. Most changes at work are irritating.	1	2	3	4	5
11. I often suggest new approaches to things.	1	2	3	4	5
12. Change often helps me perform better.	1	2	3	4	5
13. I intend to do whatever possible to support change.	1	2	3	4	5
14. Other people think that I support change.	1	2	3	4	5
15. I usually hesitate to try new ideas.	1	2	3	4	5
16. Change usually helps improve unsatisfactory situations at work.	1	2	3	4	5
17. I find most changes to be pleasing.	1	2	3	4	5
18 I usually benefit from change.	1	2	3	4	5

Scoring: Add your answers to questions 4, 6, 12, 14, 16, and 18, and then divide by 6. This is your "belief and opinion about change" score. Next, add your answers to questions 1, 7, 8, 9, 10, and 17, and divide by 6. This score reflects how "change makes you feel." Now, add your answers to questions 2, 3, 5, 11, 13, and 15, and divide by 6. This score reflects how "change makes you want to act (behave)." A score of 4 and greater reflects a positive attitude toward change. A score of 2 and less reflects an attitude that is negative and potentially resistant to change.

Source: Dunham, R.B., Grube, J.A., Gardner, D.G., Pierce, J.L., & Cummings, L.L. (1989, August). "The development of an attitude towards change instrument." Annual Meeting of the Academy of Management. Washington, D.C.

Organizational inertia (the tendency of organizations to maintain the status quo) is a major reason people resist change. If inertia is very strong and widespread in an organization's culture, resistance to change can threaten the organization's survival (Carr, Hardf & Trahant, 1996). Most people do not like to change, unless the change is to their personal benefit. Resistance to change is not only found at the individual level; it can also be identified at the organizational and group levels as well.

At the organizational level, resistance is often part of having to give up bureaucratic command-and-control practices. Hierarchical structures also bring power and status, as well as control, to those in positions of authority. Leaner and more open organizational arrangements (i.e., organic structures) have fewer "bosses," rules, and procedures. There is less inertia.

At the group or team level, resistance is found in cultural dynamics: values, norms, attitudes, and practices. Groups also grow comfortable with routines and people they know and with whom they are comfortable. Also, groups that are risk-averse generally resist change. Moving from known to unknown states can be risky.

At the individual level, people experience any one or all of three basic fears: failure, loss of the familiar, and fear of the unknown. Individuals resist change for both rational (self-interest) and psychological reasons. Those who resist change due to self-interests may also experience the psychological factors of fear of the unknown, of loss of the familiar, and of failure. When all three fears are experienced together, significant stress may develop in individuals (Klein, 1984). Other common sources of individual resistance to change include:

- Threat to one's expertise
- Threat to one's resources
- Threat to one's status
- Authoritarian attitudes
- Fear of losing something of value
- Lack of trust in the change initiators
- Disagreement with the change
- Cynicism (Robbins, 2001, p. 547)

The opposite of each of the above listed common sources of resistance to change would suggest an individual's or group's ability or inclination to support change in general. For example, having confidence and satisfaction with one's expertise, resources, and status, in addition to having a sense of openness and trust in an organization's leaders would suggest an openness to change. OD change agents have the skills and methods to analyze and help organizational leaders, individuals, and groups understand and, in many instances, overcome their sources of resistance to particular organizational changes.

Addressing Resistance to Change

The best approach to addressing resistance to change is competent direction, planning and preparation for the change. Ultimately, the CEOs and leaders of the organization and their executive team members are responsible for planning and preparing the people in the organization and the key external stakeholders and partners for the change. In addition to the frameworks, approaches, and intervention assessment methods discussed in this chapter, the following ways of addressing and dealing with change are presented.

Coaching individuals and teams can also help overcome resistance and resentment to organizational change. Organizational managers and OD consultants typically assist employees and teams in the following ways:

- Let people know they have a choice.
- Listen to employees' ambivalence and reinforce their motivation (employees do not need total commitment to the change to start to embrace it).

- Listen to employee's concerns and involve them in the design and implementation of plans (when employees make choices, they are motivated).
- Involve employees in the action of the new changes.
- Train employees in new desired behaviors to prevent slippage to old behaviors.
- Provide information and solicit top management support in continuing to provide training, especially to those who begin to "relapse" to old attitudes (HR Focus, 2002).

Oftentimes change processes are met with resistance by employees. There are a number of measures that can be effective in getting everyone onboard, which is what's necessary if the change strategy is to be carried out effectively.

It is also important for leaders to be present and involved and to show visible and convincing support before and during the planning stage. Leaders also need to be honest and authentic when communicating and repeating the vision and the new end state of the change. They and their managers can also make the incentives and rewards for change more motivating than not changing. Appointing competent, respected "change champions" who also engage and involve key stakeholders and contributors throughout the organization can gain support. These champions need to take a positive but concerned approach to dealing with issues and resistance. Their role is not cheerleading, but helping, supporting, providing real-time information, and—again—listening.

Kotter and Schlesinger's Change Approaches

Table 2.1 illustrates six different approaches for dealing with change, the conditions for which each approach is suited, and the advantages and disadvantages of each approach. These approaches were created by Kotter and Schlesinger (1979). Even though they do not define resistance to change, they do state that "one major task of managers is . . . to implement change and that entails overcoming resistance" (Kotter & Schlesinger, 1979, p. 106; Gravenhorst, 2003).

Table 2.1: Change approaches

Approach	Commonly Used in Situations	Advantages	Disadvantages
Education and Involvement	When there is lack of information or inaccurate information and analysis	Once persuaded, people will often help with the implementation of change	Can be very time consuming if lots of people are involved
Participation and Involvement	When the initiators do not have all the information they need to design the change and when others have considerable power to resist	People who participate will be committed to implementing change	Can be very time consuming if participants design an inappropriate change
Facilitation and Support	When people are resisting because of adjustment problems	No other approach works as well with adjustment problems	Can be time consuming and still fail
Negotiation and Agreement	When someone or some group will clearly lose out in a change and when that group has considerable power to resist	Sometimes it is a relatively easy way to avoid major resistance	Can be too expensive in many cases if it alerts others to negotiate for compliance
Manipulation and Co-optation	When other tactics will not work or are too expensive	It can be a relatively quick and inexpensive solution to resistance problems	Can lead to future problems if people feel manipulated
Explicit and Implicit Coercion	When speed is essential and the change initiators possess considerable able power	It is speedy and can overcome any kind of resistance	Can be risky if it leaves people mad at the initiators

Source: Koster, J. P. & Schlesinger, L A. (1979). An exhibit from "Choosing srategies for change." Harvard Business Review, *March/April. Reprinted by permission.*

Note that the strategies in Table 2.1 range from the best, most desired approach to deal with change, that is, "education and communication" to the less desired but perhaps necessary approach, "explicit and implicit coercion." It is important to note that this model is helpful in providing options relating to different situations. Manipulation and coercion may in fact be necessary tactics to solicit employee involvement in a change when other tactics will not work or are too expensive; however, the downside of this tactic is that future problems can surface if people feel manipulated. Relationships between the manipulators and the manipulated can also damage and cause other performance and trust problems later. It is also worth stating that the use of manipulation, co-optation, and explicit and implicit coercion approaches may violate people's rights if done in unethical and illegal ways, or if anyone is actually harmed. Lawsuits and human relations problems can arise. Consequently, while such tactics may be necessary under certain difficult circumstances, they must be employed with the utmost caution and care.

Lewin's Force-Field Analysis and Resistance to Change

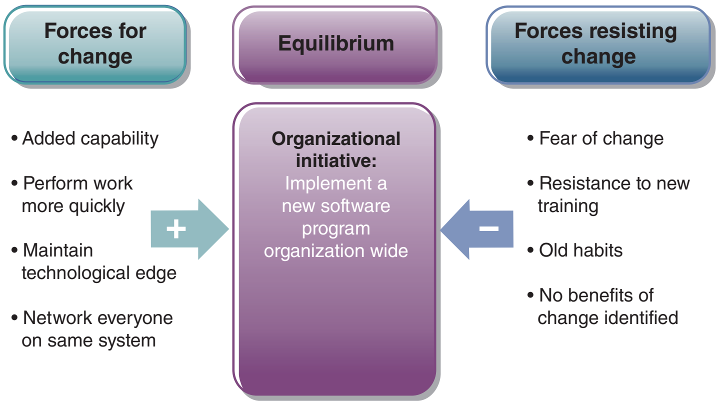
The term resistance to change was first introduced by Kurt Lewin in his field theory and in his work on group dynamics (Lewin, 1947; Gravenhorst, 2003). Lewin's force-field analysis is such a widely used method that it has become part of everyday usage. The method, when used systematically, can assist individuals, groups, and organizations in understanding and overcoming resistance to specific changes.

Lewin's view of "change" was that it is the result of opposing forces moving for and against the status quo at any given time. Change is at a standstill when the opposing forces are of equal strength. To move the stationary state of change in one direction or the other, one set of forces have to be increased, decreased, or both. His model is based on the law of physics that holds that an object at rest will remain so unless the forces exerted on the object (to move it) are greater than the forces working against it (to keep it at rest). Behavioral change will occur, according to this model, if (1) the forces for change are strengthened, (2) the forces against change are weakened, or (3) a combination of options (1) and (2) is applied.

Lewin's method is also used to diagnose and develop strategies for altering the dynamics of change in specific situations at any stage of a change process. It is an excellent method for engaging employees and managers in identifying hidden assumptions, issues, problems, and perceived opportunities related to a desired end state to be achieved, a plan to be implemented, or an initiative to be tested.

Figure 2.10 illustrates Lewin's force-field analysis, using an organizational initiative of implementing a new software program as an example. An OD change agent interviews or surveys a work group whose support is needed to implement the software. The results are indicated in this figure. For example, those interviewed who were supportive of the change indicated that the new software would provide added capability. Those opposed countered with their fear and hesitancy of the change. After analyzing the number and strength of supporter and resisters to the change, the OD consultant might conclude that the support for change outweighed the resistance. Also, evidence from interviewing and surveying the work group may also indicate that the consultant should emphasize and educate those resisting about the additional capability and technological advantages of the new software. To do so may gain the support of the dissenters to carry through with the change. It may be interesting to speculate on how such a force-field analysis intervention would have worked in the opening story of this section, where the Operations and IT functions of an organization moved forward in replacing individual employees' printers with wireless common-use printers. Perhaps the managers who authorized the actions would have learned about the widespread disapproval of the action and devised a less costly option in terms of time, opportunity costs, and good will.

Figure 2.10: Force-field analysis



The following steps can be used to identify the forces for and against change regarding a particular situation, problem, or opportunity:

1. Describe the opportunity, problem, or issue.
2. Identify the desired end state.
3. List the potential benefits derived from having achieved the end state.
4. Identify the driving forces, strategies, and tactics for change toward the end state.
5. Identify the resisting forces against change toward the end state.
6. Identify tactics that can be used to weaken the forces against change, blocking the desired end state.
7. List tactics to use to strengthen the forces for change to reach the desired end state.
8. Develop an action plan.

Unfreezing, Moving/Changing, Refreezing in the Force Field

Lewin's force-field analysis also argues that there are three stages of change: unfreezing, moving/changing, and refreezing.

In the unfreezing stage, the focus is to create a felt need for change by increasing motivation to change. Individuals are encouraged to abandon old behaviors and attitudes and become open to accept new ones. Managers can participate in this stage by reducing barriers to change, creating incentives to change, and introducing rewards for new behaviors. Individuals begin to unfreeze old behaviors and attitudes when they can see and experience their uselessness. For example, directors of an organization have been required to learn and use a new financial reporting system that has been installed to help them track their expenses. Most do so and quickly see the benefits of having such a system, that is, they make more objective decisions on activities and resources. However, those who refuse or avoid using the new system start to fall further behind in their work. They feel discouraged and helpless. A few leave, others believe it is time to change—that is, their attitudes and old behavior start to "unfreeze."

In the moving/changing stage, employees experience changes in their attitudes and behaviors. New information, attitudes, and skills are introduced to employees. New organizational vision, mission, strategy, structure, and technology facilitate new directions for change. Mentors, role models, and training assist employees in the transition from old to new attitudes and behaviors. Following the example of the financial reporting system, responsible managers design and assign a training program with mentors to assist the directors in learning and adapting to the new financial system. The managers begin the training by relating the new financial system to the new vision, mission, and direction of the company. This alignment process—linking the need to use the financial system to the larger company's vision and goals—motivates and moves the directors to change old attitudes and habits.

Finally, during the refreezing stage, the focus is on reinforcing and institutionalizing new behaviors and attitudes. Enabling employees to practice and integrate new behaviors with appropriate rewards helps to stabilize changes during this phase. Managers must ensure that the culture, structure, and reward system support the new behaviors. The managers in the previous example meet frequently with the directors and others in the company who have been positively affected by the new financial system to discuss issues and benefits of the system. The managers also introduce bonuses and other perks to the directors and employees who have increased their productivity from using this and other systems. An overall feeling of accomplishment and pride takes hold and the culture of the company is revitalized.

Managing Change

Confronting Resistance

Rather than cut large amounts of staff, a financial services company chose cost-cutting measures to weather the financial crisis, such as by consolidating its office space, renting out one of its floors, and overhauling the employee health insurance options. The traditional HMO was still available, but at a much higher price—offsetting the rising costs of benefits the company was facing—and a new high-deductible plan was put into place. Open enrollment was usually in November every year, and emails were sent out to employees at the end of September.

Employees complained that as part of the high-deductible plan, they were required to pay more out-of-pocket expenses to meet the deductible before any insurance benefits kicked in. Company executives explained the complicated process and pointed out that the company would contribute half of each employee's deductible responsibility in a health reimbursement account (HRA) and that employees could draw the other half from pre-tax dollars in a flexible spending account (FSA).

Serious discontent flowed through the offices; groups were getting together to discuss their dissatisfaction with the company and go to human resources with complaints. Some even left the company because of a perceived devaluation of health insurance benefits.

1. What are some of the naturally occurring reasons for opposition to this change, in general?
2. As a leader in this company, how would you address the uprising?
3. How could the unfreezing, moving/changing, and refreezing stages be applied in this situation?

(See page 218 for possible answers)

wei66642_02_c02_p045-090.indd 87 1/4/12 3:12 PM

Summary

This chapter lays a foundation for understanding how leaders and change specialists diagnose, assess, and plan for organizational change. Best-in-class, classic, and modern models and methods are presented and discussed using examples from current business events involving Hewlett Packard, Apple, and Microsoft. Several smaller and mid-sized organizations are illustrated as well.

Several approaches presented here, which were introduced in Chapter 1, include environment-industry-organizational contingency models that explain how organizations change to effectively "fit" with different external markets. The organizational life-cycle approach shows the different stages of development through which companies evolve and the types of leadership and structural changes required for growth at each stage.

The eight-stage change model of John Kotter at Harvard is also presented, using MCI's transformation from WorldCom. Cooperrider's Appreciative Inquiry approach illustrates how organizations can change through a "cooperative search for the best in people, their organizations, and the world around them." The Action Research Model used by organizational development consultants is explained in a step-by-step approach that students of change management can learn and apply to any part of any organization. Finally, strategies and methods for learning how to deal with resistance to changes in organizations, groups, and individuals across different situations is discussed, along with a "force-field" analysis that can be applied to any planning process. This chapter prepares the way for the following discussion on implementing change.

Learning Objective Recap

1. Organizational diagnosis of change is the process of understanding how an organization functions and provides information for designing change interventions. Change models reduce complexity, point out activities demanding attention, highlight the interconnectedness of organizational dimensions, provide a common language, and offer a sequence of change events.
2. The environment-industry-organization contingency model considers the environment, industry, and organization in light of both environmental change and complexity. The systems contingency model considers the "fit" among strategy, structure, and culture in planning organizational success. The organizational life-cycle model is used to diagnose crises and challenges facing organizations over time.
3. Change can be transformational, transitional, or developmental. These correspond to two broad distinctions of change: first-order and second-order change. First-order change involves small-scale adjustments to systems, processes, and structures. Second-order change involves radical transformations to the entire organization.
4. The organizational life-cycle model helps diagnose the types of crises and challenges organizations and leaders face as the organization matures. This particular model adds an historical dimension for understanding an organization's developmental needs in terms of changing capabilities required of leaders to grow organizations along their life-cycle.

5. Interventions can be focused at organizational, team/group, or individual levels. They are focused, planned actions to enhance effectiveness. As Figure 2.5 illustrates, different interventions can be planned and implemented within and across the organizational dimensions (leadership, strategy, culture, structure, people, and systems).
6. The action research model for diagnosing change involves the following steps: identifying the problem or opportunity, consulting with an expert, collecting data, formulating a preliminary diagnosis, presenting feedback to the client, diagnosing the problem and findings with the client, jointly planning action steps, implementing those steps, and collecting post-implementation data.
7. Kotter's eight-step approach to change involves establishing a sense of urgency, forming a powerful guiding coalition, developing a vision and strategy, communicating the change vision, empowering others to act on the vision, generating short-term wins, consolidating gains to produce more change, and anchoring new approaches in the culture.
8. The four phases of the appreciative inquiry model are discovery, dream, design, and delivery. The model involves people across all aspects of the organization. This model focuses on how people and the organization add value (instead of the problems they face), and how they can contribute more through planned change.
9. Employee assessments evaluate the reasons for resistance; and how competent direction, planning, preparation, and coaching can help organizations to address and resolve resistance. Kotter and Schlesinger present a change approach, along with Lewin's force-field analysis that addresses strategies for preventing and resolving dysfunctional resistance.

Discussion Questions

1. What does the adage, "If you don't know where you're going, all roads lead there," mean with regard to organizational change?
2. Why would an organizational leader need to use change models? What are the advantages? Disadvantages? Explain.
3. Explain where a traditional university and a high-tech computer software firm would fit in Figure 2.1 Environment-Industry-Organization framework.
4. Using Figure 2.2 Systems Contingency Model, explain Microsoft's strengths and weaknesses from your reading of the company. Would you prefer to work for this company? Why or why not?
5. After Steve Jobs' untimely death, explain where you think Apple currently is using Figure 2.3, Development Life-Cycle Model? (Also refer to Figure 2.4.)
6. If you were assigned to an organization's planned change team and were asked how Figure 2.5 could be used with Figures 2.6 and 2.7 how you would respond?
7. Explain how Kotter's Change Process Model in Figure 2.8 differs from the Appreciative Inquiry Model (AI) in Figure 2.9. Explain which of these two models you would prefer to use if you were diagnosing an organization to plan a change.
8. Explain the reasons why some people in organizations generally resist change when they learn that a large-scale one is planned. Do you generally resist change? Why or why not?

9. Describe what you would say if you had to deliver a talk on how to address, prevent, and resolve professionals' resistance to change in organizations that must plan and implement changes.
10. Respond to this quote and explain your reasoning:

    Change is not always good, and it certainly is not a panacea for all the issues . . . . More leaders may need to prioritize various change proposals and defuse poor ideas, rather than always responding to changes from the internal and external environment. Therefore, failure to change can be a positive response. I am highly suspicious of the recent trends in business to reconfigure organizations every five years and of the idealization and symbolic value of change as a trophy of managerial success. (Czarniawska & Sevon, 1996, p. 8)

Key Terms

change intervention

congruence model

environmental change

environmental complexity

first-order (adaptive) changes

input phase

levels of intervention

transformation phase

organizational diagnosis of change

organizational inertia

output phase

plan for and create short-term wins

presenting issues

resource dependency theory

second-order (discontinuous) changes

simple-complex dimension of environmental uncertainty

Web Links

YouTube Clip: Brief Recap of Steve Jobs's Life
http://www.youtube.com/watch?v=7or2-x5r41Y

YouTube Clip: John Kotter on "Changing Hearts and Minds"
http://www.youtube.com/watch?v=1NKti9MyAAw&feature=related

Overcoming Resistance to Change, Group Exercises
http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=42&ved=0CCEQFjABOCg&url=http%3A%2F%2Fwww.mhhe.com%2Fbusiness%2Fmanagement%2Fasset_gallery%2Fbuildyourmanagementskills%2Fresourcemanual%2Ffiles%2FTopic14%2FT14_GE_Overcoming_Resistance_to_Change.doc&ei=ONvCTtm6Mo2osALYtfGRCw&usg=AFQjCNFAGXsN3I2ySCwzOvKgAk0NM5rzzA&sig2=VFnRGhp0HULqdnsJsGBwyA