EXERCISE: SCHEMATISING - "WHAT IS CHANGE AND HOW DO MANAGERS DEAL WITH IT?"

Purpose: creating a scheme, based on the indicated/ highlighted text.
Duration: 20 minutes.

Read the text below. Highlight (parts of) titles, subtitles and the text such as learned in the previous step 'structuring'. Decide which scheme you want to create, depending on the structure of the text. Copy parts of titles and subtitles in your scheme. Create your scheme -by briefly describing the main issues, based on the indicated text.

Why Do Organizations Need to Change?

In Chapter 2 we pointed out that both external and internal forces constrain managers. These same forces also bring about the need for change. Let's briefly review these factors.

WHAT EXTERNAL FORCES CREATE A NEED TO CHANGE? The external forces that create the need for organizational change come from various sources. In recent years, the *marketplace* has affected firms such as AT&T and Lowe's because of new competition. AT&T, for example, faces competition from local cable companies and from Internet services such as Hulu and Skype. Lowe's, too, must now contend with a host of aggressive competitors such as Home Depot and Menard's. *Government laws and regulations* are also an impetus for change. For example, when the Patient Protection and Affordable Care Act was signed into law, thousands of businesses were faced with decisions on how best to offer employees health insurance, revamp benefit reporting, and educate employees on the new provisions. Even today, organizations continue to deal with the requirements of improving health insurance accessibility.

Technology also creates the need for organizational change. The Internet has changed pretty much everything—the way we get information, how we buy products, and how we get our work done. Technological advancements have created significant economies of scale for many organizations. For instance, technology allows Scottrade to offer its clients the opportunity to make online trades without a broker. The assembly line in many industries has also undergone dramatic change as employers replace human labor with technologically advanced mechanical robots. Also, the fluctuation in *labor markets* forces managers to initiate changes. For example, the shortage of registered nurses in the United States has led many hospital administrators to redesign nursing jobs and to alter their rewards and benefits packages for nurses, as well as join forces with local universities to address the nursing shortage.

As the news headlines remind us, *economic* changes affect almost all organizations. For instance, prior to the mortgage market meltdown, low interest rates led to significant growth in the housing market. This growth meant more jobs, more employees hired, and significant increases in sales in other businesses that supported the building industry. However, as the economy soured, it had the opposite effect on the housing industry and other industries as credit markets dried up and businesses found it difficult to get the capital they needed to operate.

WHAT INTERNAL FORCES CREATE A NEED TO CHANGE? Internal forces can also create the need for organizational change. These internal forces tend to originate primarily from the internal operations of the organization or from the impact of external changes. (It's also important to recognize that such changes are a normal part of the organizational life cycle.)[2]

When managers redefine or modify an organization's *strategy*, that action often introduces a host of changes. For example, Nokia bringing in new equipment is an internal force for change. Because of this action, employees may face job redesign, undergo training to operate the new equipment, or be required to establish new interaction patterns within their work groups. Another internal force for change is that the *composition of an organization's workforce* changes in terms of age, education, gender, nationality, and so forth. A stable organization in

Challenged by changed consumer preferences, increased competition, and declining revenues, McDonald's has named internal manager Steve Easterbrook as its new CEO. As a change agent, Easterbrook's goal is to revitalize McDonald's "as a modern and progressive burger company delivering a contemporary customer experience."

Hannelore Foerster/Getty Images

which managers have been in their positions for years might need to restructure jobs in order to retain more ambitious employees by affording them some upward mobility. The compensation and benefits systems might also need to be reworked to reflect the needs of a diverse workforce and market forces in which certain skills are in short supply. *Employee attitudes*, such as increased job dissatisfaction, may lead to increased absenteeism, resignations, and even strikes. Such events will, in turn, often lead to changes in organizational policies and practices.

Who Initiates Organizational Change?

Organizational changes need a **catalyst.**

People who act as catalysts and assume the responsibility for managing the change process are called **change agents**.[3] WHO can be a change agent?

- Any *manager* can. We assume organizational change is initiated and carried out by a manager within the organization.
- OR any *nonmanager*—for example, an *internal staff specialist* or an *outside consultant* whose expertise is in change implementation—can.

For major systemwide changes, an organization will often hire outside consultants for advice and assistance. Because these consultants come from the outside, they offer an objective perspective that insiders usually lack. However, the problem is that outside consultants may not understand the organization's history, culture, operating procedures, and personnel. They're also prone to initiating more drastic changes than insiders—which can be either a benefit or a disadvantage—because they don't have to live with the repercussions after the change is implemented. In contrast, internal managers who act as change agents may be more thoughtful (and possibly more cautious) because they must live with the consequences of their actions.

Watch It 1!

If your professor has assigned this, go to the Assignments section of **mymanagementlab.com** to complete the video exercise titled ***Rudi's Bakery: Organizational Change and Development***.

How Does Organizational Change Happen?

We often use two metaphors in describing the change process.[4] These two metaphors represent distinctly different approaches to understanding and responding to change. Let's take a closer look at each one.

1 WHAT IS THE "CALM WATERS" METAPHOR? The **"calm waters" metaphor** envisions the organization as a large ship crossing a calm sea. The ship's captain and crew know exactly where they're going because they've made the trip many times before. Change appears as the occasional storm, a brief distraction in an otherwise calm and predictable trip. Until recently, the "calm waters" metaphor dominated the thinking of practicing managers and academics. The prevailing model for handling change in such circumstances is best illustrated in Kurt Lewin's three-step description of the change process.[5] (See Exhibit 8–2.)

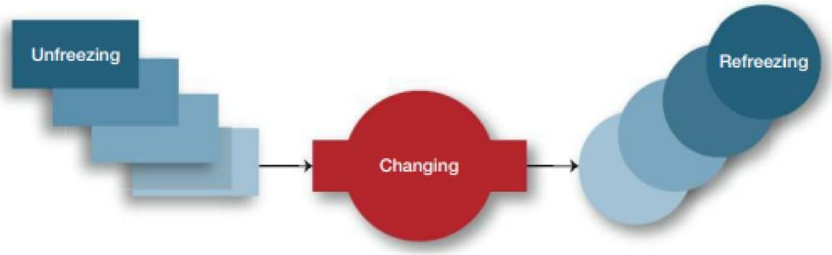
According to Lewin, successful change requires unfreezing the status quo, changing to a new state, and freezing the new change to make it permanent. The status quo can be considered an equilibrium state. Unfreezing is necessary to move from this equilibrium. It can be achieved in one of three ways:

- Increase the driving forces, which direct behavior away from the status quo.
- Decrease the restraining forces, which hinder movement from the existing equilibrium.
- Do both.

change agents
People who act as change catalysts and assume the responsibility for managing the change process

"calm waters" metaphor
A description of organizational change that likens that change to a large ship making a predictable trip across a calm sea and experiencing an occasional storm

Exhibit 8–2 The Three-Step Change Process



Once the situation has been "unfrozen," the change itself can be implemented. However, just introducing change doesn't mean it's going to take hold. The new situation needs to be "frozen" so that it can be sustained over time. Unless this last step is done, the change is likely to be short-lived, with employees reverting to the previous equilibrium state. The objective, then, is to freeze at the new equilibrium state and stabilize the new situation by balancing the driving and restraining forces. (Read more about Lewin and his organizational research in the From the Past to the Present box.)

Note how Lewin's three-step process treats change as a break in the organization's equilibrium state.[6] The status quo has been disturbed, and change is necessary to establish a new equilibrium state. Although this view might have been appropriate to the relatively calm environment faced by most organizations during the twentieth century, it's increasingly obsolete as a description of the kinds of "seas" that current managers have to navigate.

2 WHAT IS THE "WHITE-WATER RAPIDS" METAPHOR? As former chair of Nielsen Media Research (the company best known for its TV ratings, which are frequently used to determine how much advertisers pay for TV commercials), Susan Whiting had to tackle significant industry changes. Video-on-demand services, streaming technologies, smartphones, tablet computers, and other changing technologies have made data collection much more challenging for the media research business. Here's what she had to say about the business environment: "If you look at a typical week I have, it's a combination of trying to *lead a company in change in an industry in change*."[8] That's a pretty accurate description of what change is like in our second change metaphor—white-water rapids. It's also consistent with a world that's increasingly dominated by information, ideas, and knowledge.[9]

In the **"white-water rapids" metaphor**, the organization is seen as a small raft navigating a raging river with uninterrupted white-water rapids. Aboard the raft are half a dozen people who have never worked together before, who are totally unfamiliar with the river, who are unsure of their eventual destination, and who, as if things weren't bad enough, are traveling at night. In the white-water rapids metaphor, change is the status quo and managing change is a continual process.

To get a feeling of what managing change might be like in a white-water rapids environment, consider attending a college that had the following rules: Courses vary in length. When you sign up, you don't know how long a course will run; it might go for 2 weeks or 30 weeks. Furthermore, the instructor can end a course at any time with no prior warning. If that isn't challenging enough, the length of the class changes each time it meets: Sometimes the class lasts 20 minutes; other times it runs for 3 hours. And the time of the next class meeting is set by the instructor during this class. There's one more thing. All exams are unannounced, so you have to be ready for a test at any time. To succeed in this type of environment, you'd have to respond quickly to changing conditions. Students who were overly structured or uncomfortable with change wouldn't succeed.

"white-water rapids" metaphor
A description of organizational change that likens that change to a small raft navigating a raging river

organization development (OD)
Efforts that assist organizational members with a planned change by focusing on their attitudes and values

Source: Fundamentals of Management: Global Edition. Chapter 8 Managing change and innovation – Part 1 What is change and how do managers deal with it.