

**ORGANIZATIONAL DESIGN
AND BEHAVIOR
(87139)**

**Organizational change
and change management**

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**Office hours
Thursday, 1-2 pm**

Organizational design

#2

The process by which **managers** try to align the **internal components** of an organization with the **external components** of the environment and its **contingencies**, so that the organization is able to maintain its long-term success and **competitive advantage**.

“alignment”

“fit”

In the OD part of the course we have seen:

- different ethical models and normative orientations in organizations;
- the link between the organization and its environment;
- features of the hierarchy and structure of an organization;
- different organizational cultures;
- different strategies at different levels;
- different possible task-technology combinations...

and how they can be best combined to form the overall organizational architecture.

But...

How is it possible to move from a functional to a divisional structure?

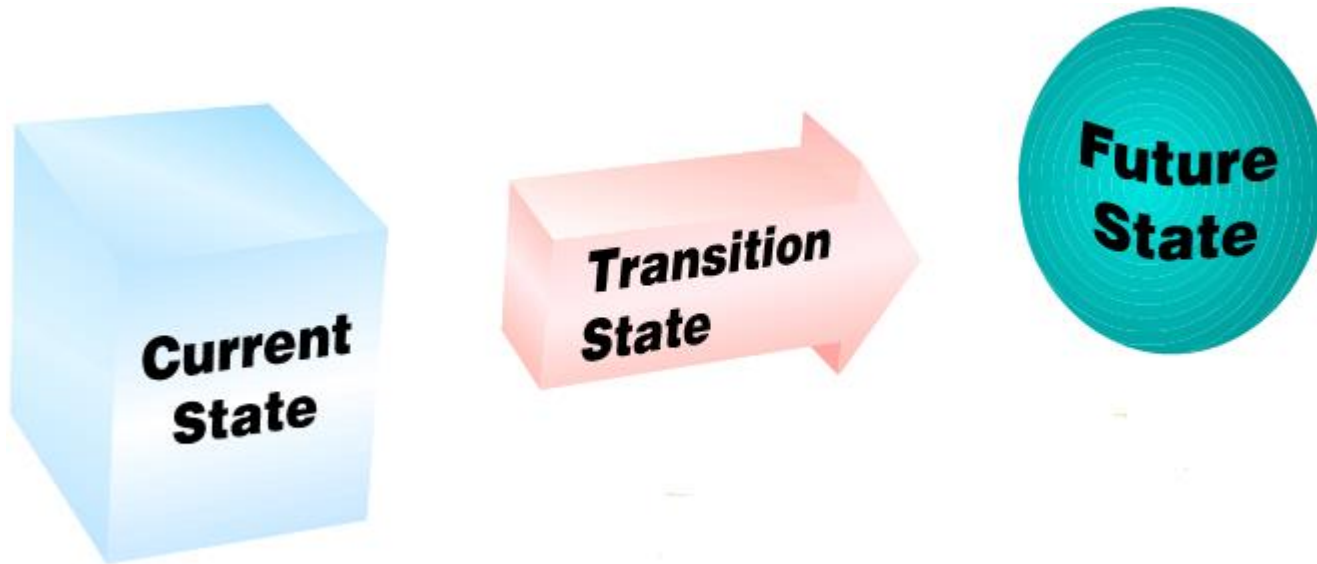
How is it possible to reduce the number of levels in the company hierarchy?

How is it possible to enter a process of internationalization and change accordingly the organizational structure?

How new values can be instilled in the culture of an organization?

How a new technology can be integrated in the production process?

Organizational change



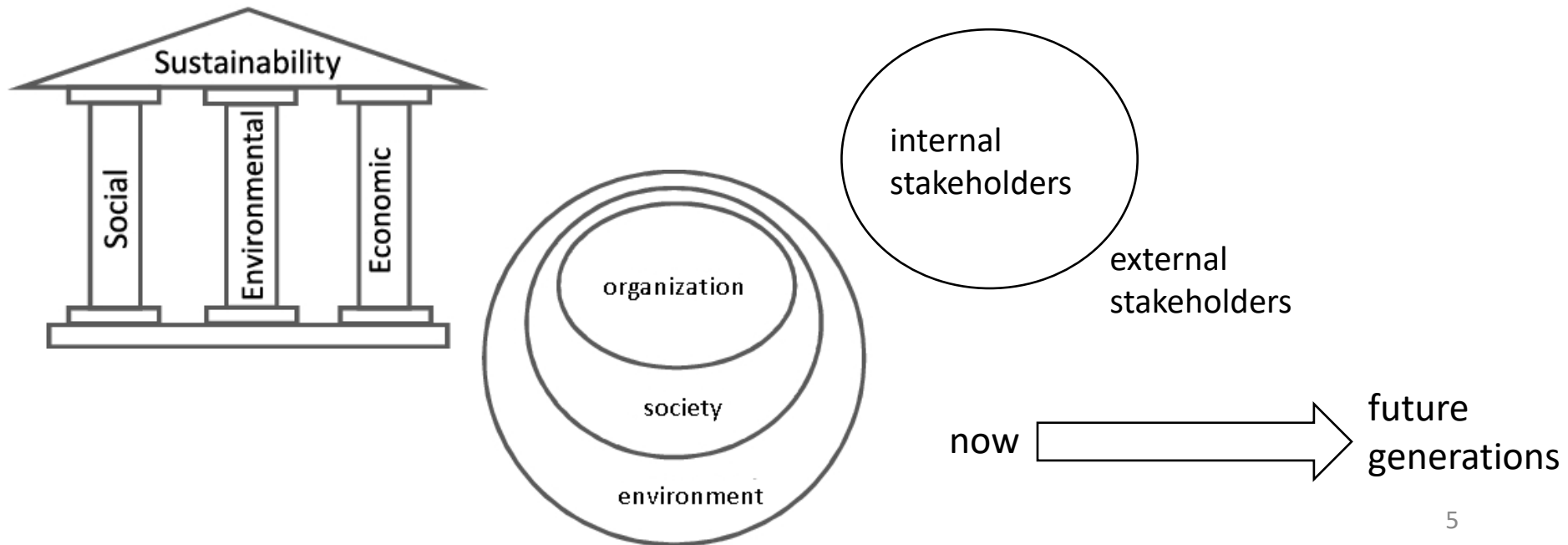
the process by which organizations redesign and transform their structures and cultures to move from their present state to some desired future state

Sustainable change

‘Sustainable’ derives from the Latin *sustinere*, which means ‘to hold up’ or ‘to maintain’. Something is sustainable, therefore, if it persists or holds up over time.

In order to be sustainable, organizational change has to be respectful not only of the organization and its objectives, but also of its social and natural environment..

An extended view on organizational sustainability

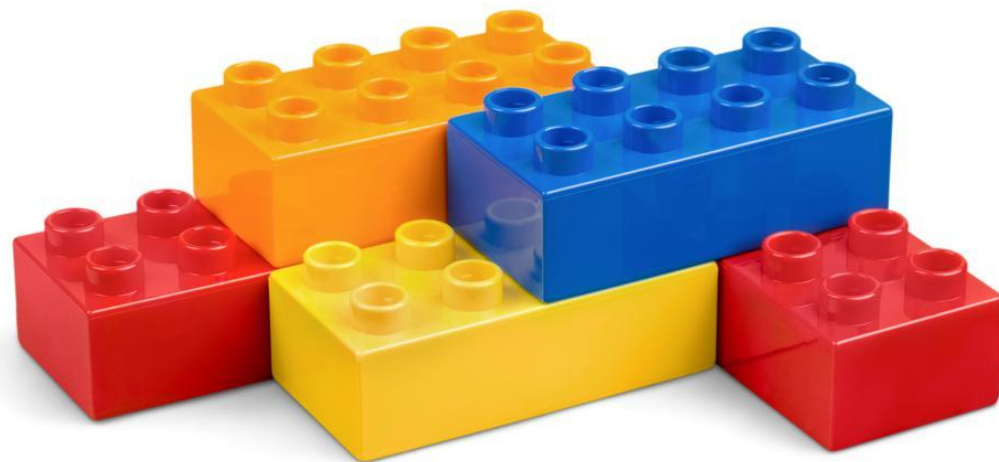


Program of today

- understanding organizational change;
- essentials of change management;
- organizational design & change.

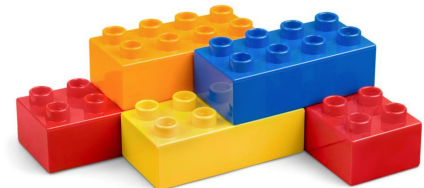
PART I

**Understanding organizational
change**



The organization as a set of building blocks

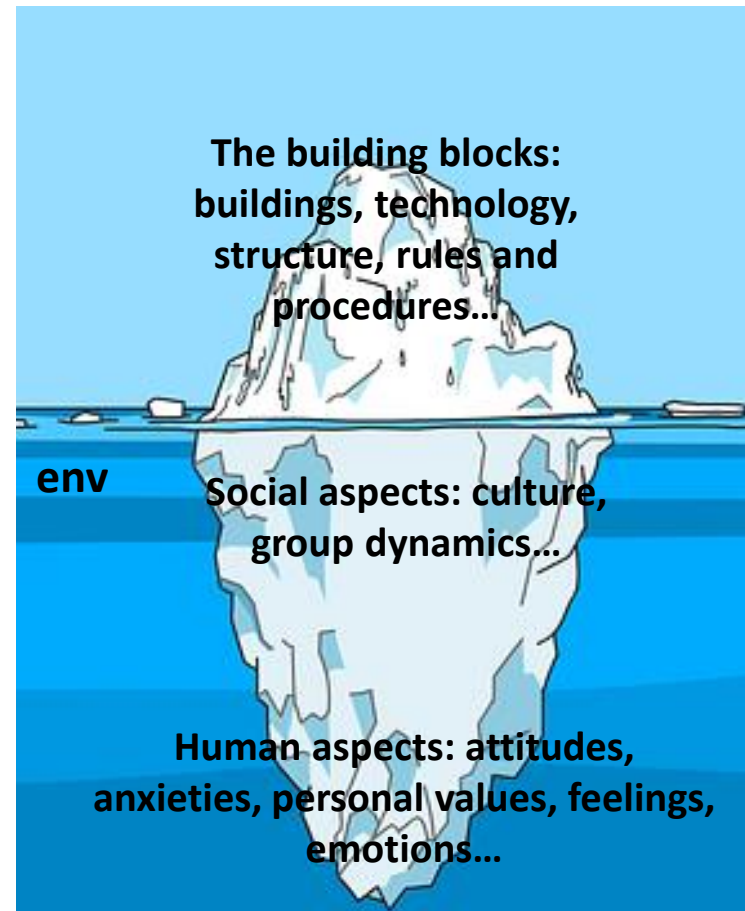
- the *structure* is simple and solid, clearly visible and understandable: there are no hidden aspects to the organization;
- *knowledge* is simply what can be measured, calculated or represented in a model, equation or diagram;
- management has total *power* over the organization from the top down;
- *resistance* has no place, change is just a matter of issuing commands which will be followed.



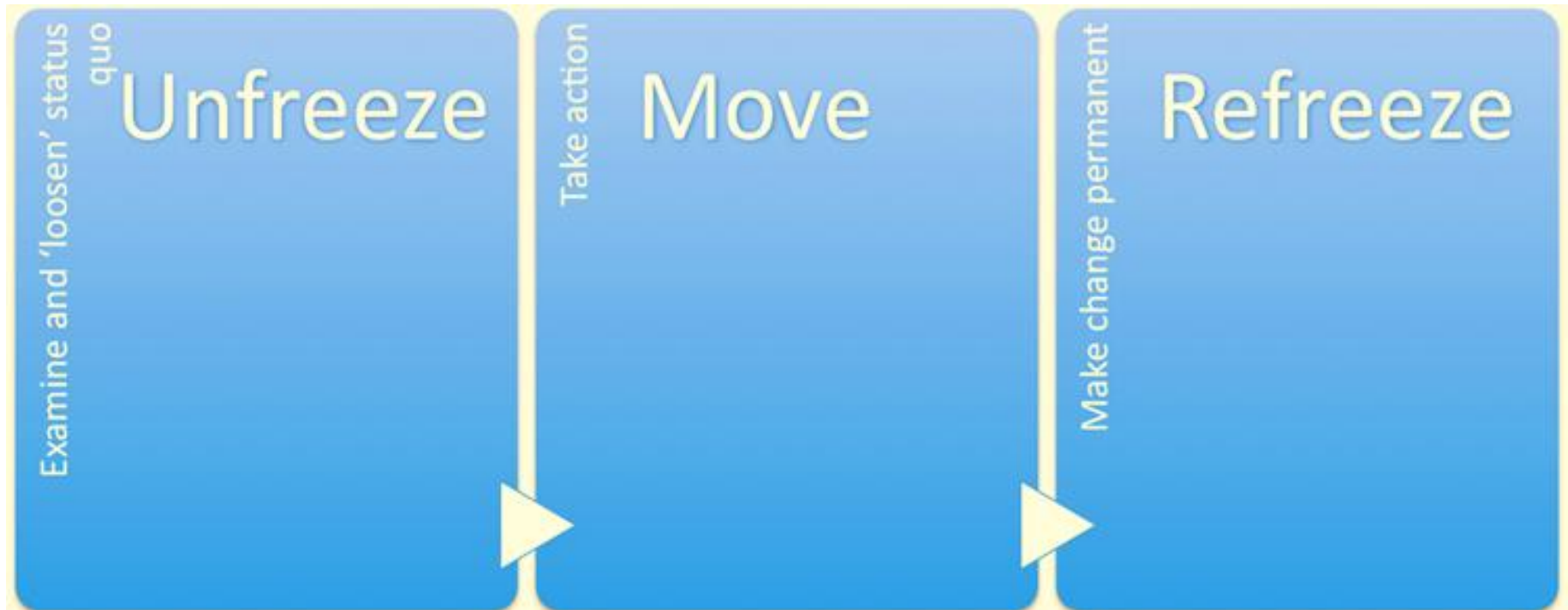


The organization as an iceberg

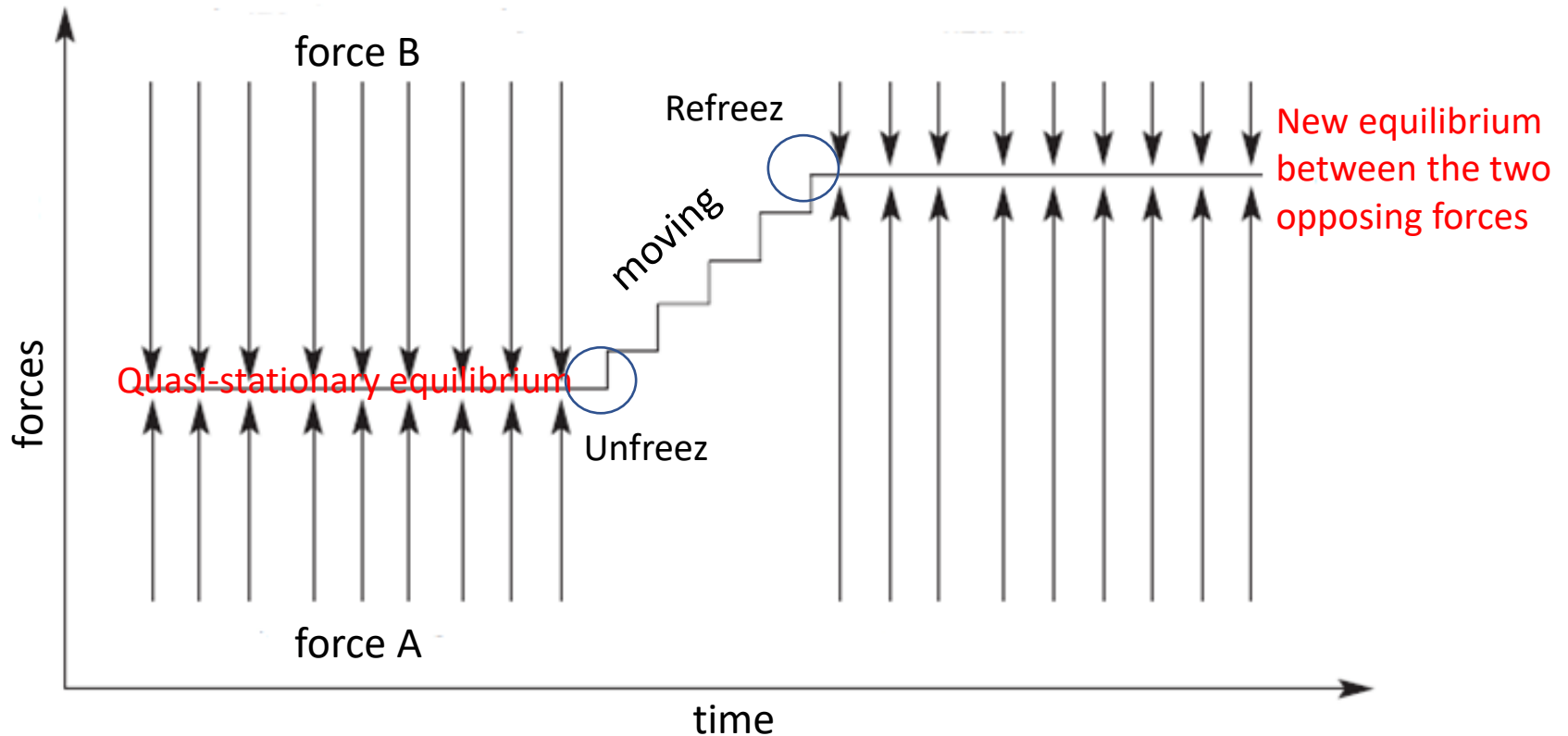
- the *structure* is solid but it has hidden depths, which makes a considerable part beneath the surface;
- *knowledge* is mostly located beneath the surface: psychologically-based techniques can help to understand the social and human aspects;
- through psychologically-informed knowledge it is possible to bring about *top-down* change in an organization;
- *resistance* is understandable but it can be overcome through a planned approach.



Lewin's (1947) three phased model



Lewin's force field analysis



Kotter's (1996) eight step model



ILLUSTRATIVE CASE

Using Kotter's model to implement change



The 4 most popular models of planned change

Beer's Six Steps for Change (1990)	Kanter and colleagues Ten Commandments for Change (1992)	Kotter's Eight Step Process for Successful Organizational Transformation (1996)	Luecke's Seven Steps for Change (2003)
Mobilize commitment to the change through joint diagnosis.	Analyse the organization and its need for change.	<u>Create a sense of urgency.</u>	Mobilize energy and commitment through joint identification of business problems and their solutions.
Develop a shared vision of how to organize and manage for competitiveness.	<u>Create a shared vision</u> and a common direction.	<u>Form a guiding coalition.</u>	<u>Develop a shared vision</u> of how to organize and manage for competitiveness.
Foster concerns for the new vision, competence to enact it, and cohesion to move it along.	Separate from the past.	<u>Develop a vision</u> and strategy.	Identify the leadership.
Spread revitalization to all departments without pushing it from the top.	<u>Create a sense of urgency.</u>	Empower broad-based action.	Focus on results not on Activities.
Institutionalize revitalization through formal policies, systems and structure.	Support a strong leader role.	Communicate the change vision.	Start change at the periphery, then let it spread to other units without pushing it from the top.
Monitor and adjust strategies in response to problems in the revitalization process.	Line up political sponsorship.	Generate short term wins.	<u>Institutionalize success</u> through formal policies, systems, and structures.
	Craft an implementation plan.	Consolidate gains and produce more change.	Monitor and adjust strategies in response to problems in the change process.
	Develop enabling structures.	<u>Anchor new approaches</u> in the culture.	
	Communicate, involve people and be honest		
	Reinforce and <u>institutionalize change.</u>		



Limits of planned change approaches

- organizations and their members are not as amenable to control as a block of ice;
- it takes time to convince people: not applicable to situations that require rapid radical change;
- they are discontinuous change models: many organizations nowadays do not operate in a constant environment where they can move from a pre-planned stable state to another one;
- top down, prescriptive, rigidly sequenced models to manage change in organizations are a good receipt for failure.



The organization as a river

- an organization never stay stills for long enough to be described as *structure*. Its elements are in an ever-evolving dynamic relation;
- a complete *knowledge* of organization to plan for next steps is impossible. Most of the organizational reality cannot be grasped;
- *power* as well is in the relations and subjected to changes, influences and turnarounds;
- *resistance* comes from everywhere and risks to overwhelm organizational actors, who can only navigate and paddle against it.



Managing with emergence?

- rather than managing change, managers are managing with change, trying to keep the pace and navigate complexity;
- organizations need to become **open learning systems**: spontaneous adaptations and collaboration among the workforce should be encouraged.



Limits of emergent change approaches

- suitable for organizations that operate in extremely turbulent and unpredictable environments;
- some people are incapable of doing rafting: not everyone will have the skills and inclination required;
- create confusion and uncertainty because of the lack of clear objectives;
- not clear the managerial implications: what managers have to do to favor or influence emergent organizational change?

Some preliminary conclusions about organizational change

- ✓ the main advantage of planned change approaches is that they present organizational change as linear and manageable;
- ✓ the main advantage of emergent change approaches is that they keep the organization and its members open to complexity and the unexpected;
- ✓ none of them is neither completely right nor wrong: elements of both should be incorporated when managing organizational change;
- ✓ remember that there are not one-size-fits-all solutions in change management as well: any approach to organizational change should be adapted to the organization and its environment (**contingency view**).

Questions for prospective change agents

- are the *structure* and the core elements of the organization rather stable, or is the organization constantly changing?
- how can you gain *knowledge* about what is going on in the organization, for example about those forces favoring or opposing the change effort?
- how does *power* operate in the organization? Can the change agent exert power or is s/he subjected to it?
- how might *resistance* to change be overcome?

PART II
**Essentials of change
management**

Change management

is the practice of dealing in an efficient and effective manner with organizational change

The trouble with change management



**People hate change when it is imposed on them,
when they cannot make sense of the ongoing transformations**

And many times organizational change happens this way...

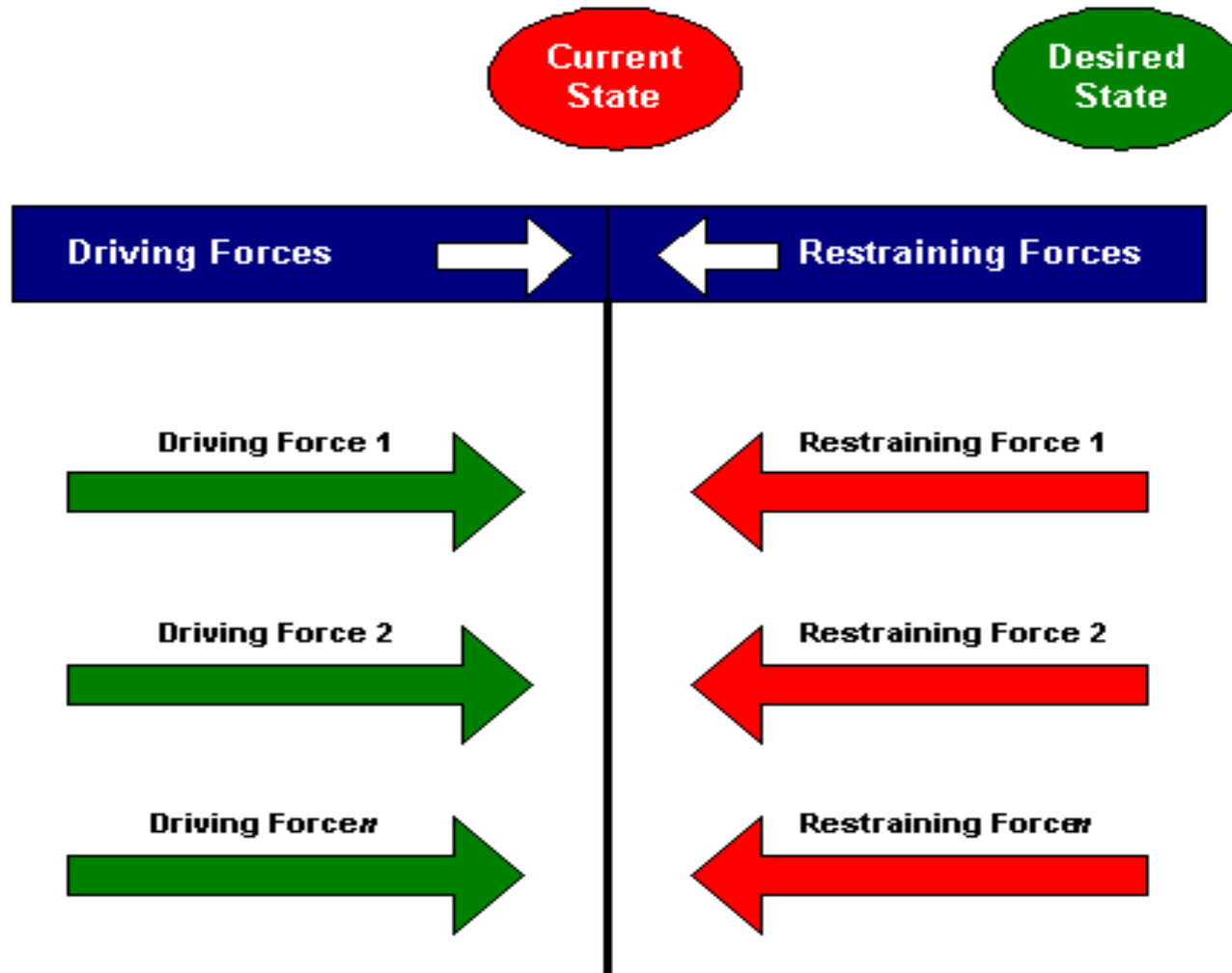
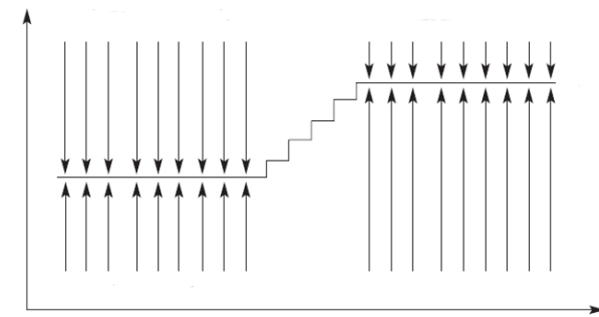
Why people resist organizational change?

- generally people do not like change – they are comfortable with their everyday routine and dislike any disruption to it;
- people worry about job security or pay issues, i.e. they perceive that they will lose out in some way as a result of the change;
- change may disrupt social and informal ties, e.g. being moved from one office or site to another, with people they do not know or even dislike;
- people may not recognize or understand the need for the change that is being proposed;
- the change may go against people's personal, professional, ethical or commercial values.



Force Field Analysis (Lewin)

Driving forces for and against change



Force Field Analysis (Lewin) #2

- 1) Think through the current situation of your organization and the desired **future state** you aim to effect;
- 2) Write down a definition of the change to be implemented and list what are according to you the forces that are going to encourage the change process (**driving forces**) and those that are going to obstruct it (**restraining forces**);
- 3) Identify possible **actions to take** in order to strengthen driving forces and softening restraining forces.

CASE EXAMPLE

Application of force field analysis to the implementation of a new buying channel e.g. online shopping - in a mass retailing company.

Driving forces	Actions to take
Customers want new products quicker	Inform customers about plans to introduce a new buying system
Increased speed of purchasing	Identify benefits for all stakeholders of new system
Need to lower costs	Cost-benefit analysis of the new system and share information with stakeholders
Restraining forces	Actions to take
Staff afraid of losing their job	Involve staff in selection of the new system and responsibility for implementing it
Staff fearful of the new system	Brief all staff on benefits of new system and provide training in how to use it
Elderly customers who may not be willing to use it	Train them through information campaigns and train the staff in assisting elderly customers
Costs of the new system	Cost-benefit analysis and measure benefits

Force Field Analysis (Lewin) #3

An advanced version of the force-field analysis diagnostic tool.

Force	Supporting or resisting	Importance (low, medium, high)	Ease of changing (low, medium, high)	Priority (numerical or low, med, high)	Actions to be taken
...					

>>> Stakeholder analysis

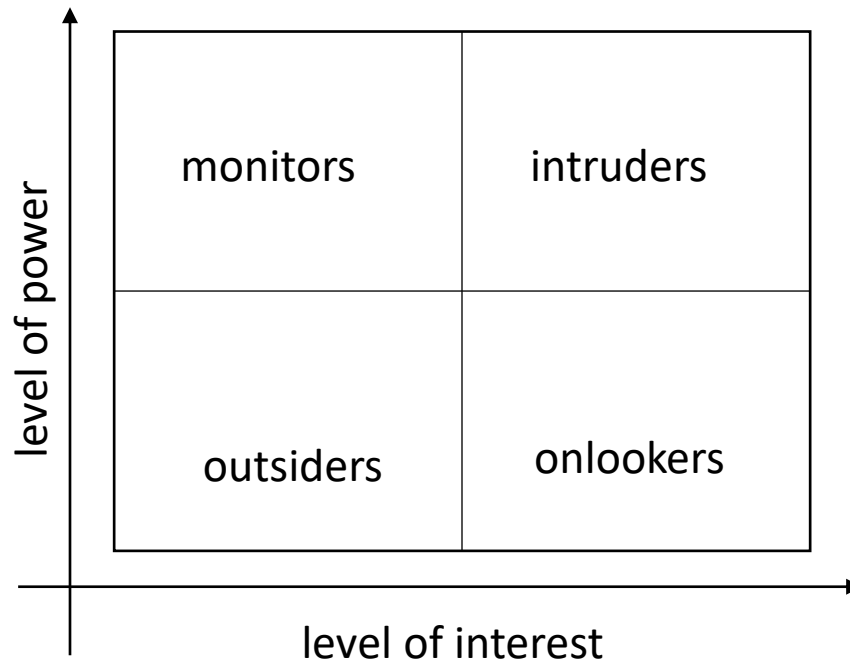
- Managers need to be able to identify **where the power lies** i.e. those stakeholders who can **influence** the outcome of the change process;
- Stakeholder analysis is particularly helpful at the outset of a change process.



Stakeholder analysis checklist

- Who are the key stakeholders in the change initiative?
- Who are the formal decision-makers with the formal authority to authorize or reject the change project? What are their attitudes to the change?
- What is the commitment profile of stakeholders? Are they against the change, neutral (let it happen), supportive, or committed champions of the change?
- What would change the views of stakeholders? Can the reward system be altered? What information or education would help?
- Who influences the stakeholders? Can you influence the influencers?
- What coalitions might be formed among the stakeholders? What alliances might you form? What alliance might form to prevent the desired change?
- How might you satisfy the needs of those opposing the change?
- How can you continue to keep the supporters of the change on your side?

Power-interest map to classify stakeholders



Strategies for managing the stakeholders

A stakeholder's position on the grid shows the actions that have to be taken with them:

- **ENGAGE** high-power, interested people: these are the people who must be fully engaged and whom managers must make the greatest efforts to satisfy;
- **INFORM** high-power, less interested people: these people need to be kept satisfied and involved and managers must ensure that they do not become bored with the change message;
- **REASSURE** low-power, interested people: these people must be kept adequately informed and talked to in order to ensure that no major issues are arising. These people can often be helpful with the details of your project;
- **MONITOR** low-power, less interested people: these people need to be monitored but should not be bored with excessive communication.

Stakeholder action plan

	Role	Action(s)	Action owner	Timing	Impact and performance measures
Stakeholder 1					
Stakeholder 2					
Stakeholder 3					
Stakeholder 4					
...					

Stakeholder analysis and the related action plan should be revisited throughout implementation.

ILLUSTRATIVE CASE

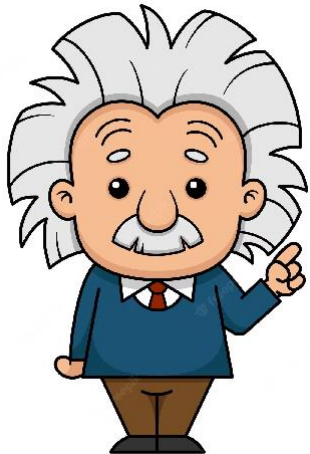
A major cost reduction program
at a supermarket chain

- 1) Which stakeholders of the change initiative can you identify in the text?
- 2) Which strategies used the supermarket to win the internal resistance? Did they work and why according to you?

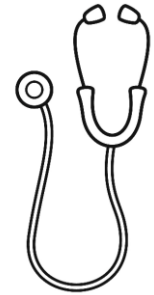
PART III. Conclusion
Organizational design
& change

Einstein once said:

*“If you gave me just one 1 hour to save the world,
I’d spend 55 minutes thinking about the problem
and 5 minutes thinking about solutions”*



Diagnosis



- I. evaluate the degree of alignment between each of the elements of OD discussed during the course;
- II. identify if there is a capability gap to implement your strategy – if so, close this gap by developing the new needed capabilities;
- III. understand how the misalignment issues are related to one another, how they cause problems in other areas and to other elements;
- IV. to reduce complexity, cluster related problems together: find 1-2 central issues to resolve, that are transversal and interconnected across different areas;
- V. find solutions: go back to the elements of analysis and put explicitly the gap between the current state of the organization and the future, desirable state.

The burden of leadership

Leaders need **courage** to **focus** their organization when making strategic choices and OD interventions, because:

- it is easier to avoid the trade-offs that would make an organization work better and intervene on smaller issues;
- taking decisions means saying “no” or perhaps “not now” to particular initiatives or request, because they could make the organization to loose focus.
- errors cannot be hidden: there must be clarity and transparency when taking decisions > this involves personal risk.



Some suggestions for change leaders

- 1) consider the *magnitude of change*: it does not necessarily have to be radical e.g., transforming a manufacturing company in Google to become more innovative!
- 2) consider change as *holistic* to support the identified solutions: e.g., you change the structure but you may need adjustments also on culture or technology;
- 3) you cannot just change whatever you want whenever you want: make a *risk assessment* of the prospected solutions;
- 4) make risks and trade-offs *explicit*: this signals that you carefully thought about it and also forces you to develop strategies for mitigating them.



Think through the possible costs and problems of the solutions you are suggesting and anticipate them!

*“In OD, there is no such thing as a perfect solution
Solutions always involve trade offs!”*

Additional resources

- A practical overview of a wide range of change management tools and interventions:

Cummings, T.G. and Worley, C.G. (2015). *Organizational development and change*, 10th edition. South-Western/Cengage Learning: Mason, OH.

- Examples of organizational structural change:

<https://change.walkme.com/organizational-structure-change/>

- A collection of articles, research reports and case studies on OD:

<https://hbswk.hbs.edu/Pages/browse.aspx?HBSTopic=Organizational%20Design>

Q&As time

Students' evaluation #1

This is the second year I run the OD&B course. The first year that I do it with Professor Massimiliano Barattucci.

Do you have comments or suggestions that you think can help to ameliorate the course?

Students' evaluation #2

The final grade in the course will be based on the following:

- FINAL EXAM– multiple choice test with 32 questions (19 about OD and 13 about OB topics). Every correct answer is worth 1 point;
- 4 additional points could be assigned by the instructors on the basis of students' active participation during classroom discussions and case analyses;
- Those who totalize more than 30 points will be graded '30 e lode' (A+, in the US grading system);
- Please, note that you will pass the exam if you will get at least 21/30 points (C-)!

Do you have questions about how the final test works?

Do you have questions or doubts about specific arguments we have seen in class during the OD part of the course?

**Thank
you**