**CHAPTER 10 Types and Forms of Organizational Change**

**Learning Objectives**

Today, as never before, organizations are facing an environment that is changing rapidly, and the task facing managers is to help organizations respond and adjust to the changes taking place. This chapter discusses the various types of change that organizations must undergo and how organizations can manage the process of change to stay ahead in today’s competitive environments.

After reading this chapter you should be able to:

* 1. Understand the relationship among organizational change, redesign, and organizational effectiveness.
* 2. Distinguish among the major forms or types of evolutionary and revolutionary change organizations must manage.
* 3. Recognize the problems inherent in managing change and the obstacles that must be overcome.
* 4. Describe the change process and understand the techniques that can be used to help an organization achieve its desired future state.

**What Is Organizational Change?**

[Organizational change](/books/9781323290941/content/id/ch10bx2) is the process by which organizations move from their current or present state to some desired future state to increase their effectiveness. The goal of planned organizational change is to find new or improved ways of using resources and capabilities to increase an organization’s ability to create value and improve returns to its stakeholders.[1](/books/9781323290941/content/id/ch10bib1) An organization in decline may need to restructure its competences and resources to improve its fit with a changing environment. IBM, for example, experienced falling demand for its principal product, mainframe computers, in the 1990s. Its new CEO decided to refocus and build IBM’s competences in providing IT consulting and services and in the 2000s IBM enjoyed a successful turnaround that by 2010 had made it a dominant competitor once again. Similarly, in the 2010s Ford has enjoyed a rebirth under CEO Alan Mulally, who totally changed the way the company operates by altering its structure and culture to meet the needs of a changing environment.

Organizational change

The process by which organizations move from their present state to some desired future state to increase their effectiveness.

Importantly, even thriving, high-performing organizations such as Google, Apple, and Facebook also need to continuously change the way they operate over time—often from week to week—to meet ongoing challenges. Managers must constantly search for better ways to use organizational resources to develop a flow of new and improved products or find new markets for their existing products. Competition in the smartphone and tablet computer markets changes all the time and managers and their organizations have to strive to stay one step ahead of their rivals—as Nokia and Research in Motion learned to their cost in 2011 as Apple became the leading smartphone company and its stock soared while theirs plunged. In the last decade, especially because of the recent recession, almost all Fortune 500 companies have restructured and changed to increase their effectiveness and ability to create value for customers.

**Targets of Change**

Planned organizational change is normally targeted at improving effectiveness at one or more of four different levels: human resources, functional resources, technological capabilities, and organizational capabilities.

**human resources**

Human resources are an organization’s most important asset. Ultimately, an organization’s distinctive competences lie in the skills and abilities of its employees. Because these skills and abilities give an organization a competitive advantage, organizations must continually monitor their structures to find the most effective way of motivating and organizing human resources to acquire and use their skills. Typical kinds of change efforts directed at human resources include (1) a new investment in training and development activities so employees acquire new skills and abilities; (2) socializing employees into the organizational culture so they learn the new routines on which organizational performance depends; (3) changing organizational norms and values to motivate a multicultural and diverse workforce; (4) an ongoing examination of the way in which promotion and reward systems operate in a diverse workforce; and (5) changing the composition of the top-management team to improve organizational learning and decision making.

**functional resources**

As discussed in previous chapters, each organizational function needs to develop procedures that allow it to manage the particular environment it faces. As the environment changes, organizations often transfer resources to the functions where the most value can be created. Crucial functions grow in importance while those whose usefulness is declining shrink.

An organization can improve the value that its functions create by changing its structure, culture, and technology. The change from a functional to a product team structure, for example, may speed the new product development process. Alterations in functional structure can help provide a setting in which people are motivated to perform. The change from traditional mass production to a manufacturing operation based on self-managed work teams often allows companies to increase product quality and productivity if employees can share in the gains from the new work system.

**technological capabilities**

Technological capabilities give an organization an enormous capacity to change itself to exploit market opportunities. The ability to develop a constant stream of new products or to modify existing products so they continue to attract customers is one of an organization’s core competences. Similarly, the ability to improve the way goods and services are produced to increase their quality and reliability is a crucial organizational capability. At the organizational level, an organization has to provide the context that allows it to translate its technological competences into value for its stakeholders. This task often involves the redesign of organizational activities. IBM, for example, changed its organizational structure to better capitalize on its new strengths in providing IT consulting. Previously, it had been unable to translate its technical capabilities into commercial opportunities because its structure was not focused on consulting but on making and selling computer hardware and software rather than providing advice.

**organizational capabilities**

Through the design of organizational structure and culture, an organization can harness its human and functional resources to take advantage of technological opportunities. Organizational change often involves changing the relationships between people and functions to increase their ability to create value. Changes in structure and culture take place at all levels of the organization and include changing the routines an individual uses to greet customers, changing work group relationships, improving integration between divisions, and changing corporate culture by changing the top-management team.

These four levels at which change can take place are obviously interdependent; it is often impossible to change one without changing another. Suppose an organization invests resources and recruits a team of scientists who are experts in a new technology—for example, biotechnology. If successful, this human resource change will lead to the emergence of a new functional resource and a new technological capability. Top management will be forced to reevaluate its organizational structure and the way it integrates and coordinates its other functions to ensure that they support its new functional resources. Effectively utilizing the new resources may require a move to a product team structure. It may even require downsizing and the elimination of functions that are no longer central to the organization’s mission.

**Forces for and Resistance to Organizational Change**

The organizational environment is constantly changing, and an organization must adapt to these changes to survive.[2](/books/9781323290941/content/id/ch10bib2) [Figure 10.1](/books/9781323290941/content/id/ch10fig1) lists the most important forces for and impediments to change that confront an organization and its managers.

**Forces for Change**

Recall from [Chapter 3](/books/9781323290941/content/id/ch03) that many forces in the environment have an impact on an organization and that recognizing the nature of these forces is one of a manager’s most important tasks.[3](/books/9781323290941/content/id/ch10bib3) If managers are slow to respond to competitive, economic, political, global, and other forces, the organization will lag behind its competitors and its effectiveness will be compromised (see [Figure 10.1](/books/9781323290941/content/id/ch10fig1)).

**competitive forces**

Organizations are constantly striving to achieve a competitive advantage.[4](/books/9781323290941/content/id/ch10bib4) Competition is a force for change because unless an organization matches or surpasses its competitors in efficiency, quality, or its capability to innovate new or improved goods or services, it will not survive.[5](/books/9781323290941/content/id/ch10bib5)

To lead on the dimensions of efficiency or quality, an organization must constantly adopt the latest technology as it becomes available. The adoption of new technology usually brings a change to task relationships as workers learn new skills or techniques to operate the new technology.[6](/books/9781323290941/content/id/ch10bib6) Later in this chapter we discuss total quality management and reengineering, two change strategies that organizations can use to achieve superior efficiency or quality.

**Figure 10.1 Forces for and Resistances to Change**



To lead on the dimension of innovation and obtain a technological advantage over competitors, a company must possess skills in managing the process of innovation, another source of change that we discuss later.

**economic, political, and global forces**

Economic, political, and global forces continually affect organizations and compel them to change how and where they produce goods and services. Economic and political unions among countries are becoming an increasingly important force for change.[7](/books/9781323290941/content/id/ch10bib7) The North American Free Trade Agreement (NAFTA) paved the way for cooperation among Canada, the United States, and Mexico. The European Union (EU) includes over 27 members eager to take advantage of a large protected market. Japan and other fast-growing Asian countries such as China, recognizing that economic unions protect member nations and create barriers against foreign competitors, have moved to increase their operations in countries overseas. Japanese companies, for example, have opened thousands of manufacturing plants in the United States and Mexico, and in European countries such as Spain and the UK, so they can share in the advantages offered by NAFTA and the EU. Toyota, Honda, and Nissan have all opened large car plants in England to supply cars to EU member countries. No organization can afford to ignore the effects of global economic and political forces on its activities.[8](/books/9781323290941/content/id/ch10bib8)

Other global challenges facing organizations include the need to change an organizational structure to allow expansion into foreign markets, the need to adapt to a variety of national cultures, and the need to help expatriate managers adapt to the economic, political, and cultural values of the countries in which they are located.[9](/books/9781323290941/content/id/ch10bib9)

**demographic and social forces**

Managing a diverse workforce is one of the biggest challenges to confront organizations in the 2000s.[10](/books/9781323290941/content/id/ch10bib10) Changes in the composition of the workforce and the increasing diversity of employees have presented organizations with many challenges and opportunities. Increasingly, changes in the demographic characteristics of the workforce have led managers to change their styles of managing all employees and to learn how to understand, supervise, and motivate diverse members effectively. Managers have had to abandon the stereotypes they unwittingly may have used in making promotion decisions, and they have had to accept the importance of equity in the recruitment and promotion of new hires, and acknowledge employees’ desire for a lifestyle that strikes an acceptable balance between work and leisure. Many companies have helped their workers keep up with changing technology by providing support for advanced education and training. Increasingly, organizations are coming to realize that the ultimate source of competitive advantage and organizational effectiveness lies in fully utilizing the skills of their members, by, for example, empowering employees to make important and significant decisions.[11](/books/9781323290941/content/id/ch10bib11)

**ethical forces**

Just as it is important for an organization to take steps to change in response to changing demographic and social forces, it is also critical for an organization to take steps to promote ethical behavior in the face of increasing government, political, and social demands for more responsible and honest corporate behavior.[12](/books/9781323290941/content/id/ch10bib12) Many companies have created the position of ethics officer, a person to whom employees can report ethical lapses by an organization’s managers or workers and can turn for advice on difficult ethical questions. Organizations are also trying to promote ethical behavior by giving employees more direct access to important decision makers and by protecting whistle-blowers who turn the organization in when they perceive ethical problems with the way certain managers behave.

Many organizations need to make changes to allow managers and workers at all levels to report unethical behavior so an organization can move quickly to eliminate such behavior and protect the general interests of its members and customers.[13](/books/9781323290941/content/id/ch10bib13) Similarly, if organizations operate in countries that pay little attention to human rights or to the well-being of organizational members, they have to learn how to change these standards and to protect their overseas employees. [Organizational Insight 10.1](/books/9781323290941/content/id/ch10oi1) describes how the way that roses are grown around the world has many ethical issues that U.S. customers need to be aware of.

From customer design preferences, to the issue of where clothes should be produced, to the question of whether economic or political unrest will affect the availability of raw materials, and how to monitor the work conditions in which products are made overseas, the forces of change bombard organizations from all sides. Effective organizations are agile enough to adjust to these forces. But many forces internal to an organization make the organization resistant to change and thus threaten its effectiveness and survival.

**Organizational Insight 10.1: Everything Is Not Coming Up Roses**

Every year on Valentine’s Day tens of millions of roses are delivered to sweethearts and loved ones in the United States, and anyone who has bought roses knows that their price has been falling steadily. One of the main reasons for this is that rose growing is now concentrated in poorer countries in Central and South America. Rose growing has been a boon to poor countries where the extra income women earn can mean the difference between starvation or not for their families. Ecuador, for example, is the fourth biggest rose grower in the world, and the industry employs over 50,000 women who tend, pick, and package roses for above its national minimum wage. Most of these women are employed by Rosas del Ecuador, the company that controls the rose business in that country.

The hidden side of the global rose-growing business is that poorer countries tend to have lax or unenforced health and safety laws, something that lowers rose-growing costs in these countries. And, critics argue, many rose-growing companies and countries are not considering the well-being of their workers. For example, although the CEO of Rosas de Ecuador, Erwin Pazmino, denies that workers are subjected to unsafe conditions, almost 60% of his workers have reported blurred vision, nausea, headaches, asthma, and other symptoms of pesticide poisoning.[14](/books/9781323290941/content/id/ch10bib14) Workers labor in hot, poorly ventilated greenhouses in which roses have been sprayed with pesticides and herbicides. Safety equipment such as masks and ventilators is scarce and the long hours women work adds to chemical overexposure. If workers complain, they may be fired and blacklisted, which makes it hard for them to find other jobs. So, to protect their families’ well-being, workers rarely complain and thus their health remains at risk.

Clearly, rose buyers worldwide need to be aware of these working conditions when deciding to buy roses, just as buyers of inexpensive clothing and footwear became concerned in the last few decades when they found out about the sweatshop conditions in which garment and shoe workers labored. Companies like Nike and Walmart have made major efforts to stop sweatshop practices, and today employ hundreds of inspectors who police the factories overseas that make the products they sell. As companies increasingly outsource the manufacturing of all kinds of products from socks to iPhones to countries with low labor costs such as China, Malaysia, and Vietnam, the behavior of the subcontractors in these countries has come under increasing scrutiny. Nike, Target, The Gap, Sony, and Mattel have all been forced to reevaluate the ethics of their labor practices and to promise to keep a constant watch on subcontractors in the future. A statement to this effect can be found on many of these companies’ Web pages; see for example, Nike’s ([www.nikebiz.com](http://www.nikebiz.com/)) and The Gap’s ([www.thegap.com](http://www.thegap.com/)).[15](/books/9781323290941/content/id/ch10bib15) In a similar way, the main buyers and distributors of flowers for the U.S. market also began to consider the well-being of the workers who grow them and are lobbying for tighter controls over their working conditions.



**Resistances to Change**

In the last few years, many well-known companies such as Dell, Sony, and Nokia have seen their performance decline sharply as a result of increasing global competition. Why did these companies lose their effectiveness? The main explanation for such decline is almost always an organization’s inability to change in response to changes in its environment because of organizational inertia, the tendency of an organization to resist change and maintain the status quo. Resistance to change lowers an organization’s effectiveness and reduces its chances of survival.[16](/books/9781323290941/content/id/ch10bib16) Resistances or impediments to change that cause inertia are found at the organization, group, and individual levels[17](/books/9781323290941/content/id/ch10bib17) (see [Figure 10.1](/books/9781323290941/content/id/ch10fig1)).

**Organization-Level Resistance to Change**

Many forces inside an organization make it difficult for an organization to change in response to changing conditions in its environment.[18](/books/9781323290941/content/id/ch10bib18) The most powerful impediments to change include power and conflict, differences in functional orientation, mechanistic structure, and organizational culture.

**power and conflict**

Change usually benefits some people, functions, or divisions at the expense of others. When change causes power struggles and organizational conflict, an organization is likely to resist it.[19](/books/9781323290941/content/id/ch10bib19) Suppose that a change in purchasing practices will help the management of materials to achieve its goal of reducing input costs but will harm manufacturing’s ability to reduce manufacturing costs. Materials management will push for the change, but manufacturing will resist it. The conflict between the two functions will slow the process of change and perhaps prevent change from occurring at all. If powerful functions can prevent change, an organization will not change. In the old IBM, for example, managers of its mainframe computer division were the most powerful in the corporation, and to preserve their prestige and power they fought off attempts to redirect IBM’s resources to produce the PCs that customers wanted—something that almost led to IBM’s downfall.

**differences in functional orientation**

Differences in functional orientation are another major impediment to change and a source of organizational inertia. Different functions and divisions often see the source of a problem differently because they see an issue or problem primarily from their own viewpoint. This tunnel vision increases organizational inertia because the organization must spend time and effort to secure agreement about the source of a problem before it can even consider how the organization needs to change to respond to the problem.

**mechanistic structure**

Recall from [Chapter 4](/books/9781323290941/content/id/ch04) that a mechanistic structure is characterized by a tall hierarchy, centralized decision making, and the standardization of behavior through rules and procedures. By contrast, organic structures are flat and decentralized and rely on mutual adjustment between people to get the job done.[20](/books/9781323290941/content/id/ch10bib20) Which structure is likely to be more resistant to change?

Mechanistic structures are more resistant to change. People who work within a mechanistic structure are expected to act in certain ways and do not develop the capacity to adjust their behavior to changing conditions. The extensive use of mutual adjustment and decentralized authority in an organic structure fosters the development of skills that allow workers to be creative, responsive, and able to find solutions for new problems. A mechanistic structure typically develops as an organization grows and is a principal source of inertia, especially in large organizations.

**organizational culture**

The values and norms in an organization’s culture can be another source of resistance to change. Just as role relationships result in a series of stable expectations between people, so values and norms cause people to behave in predictable ways. If organizational change disrupts taken-for-granted values and norms and forces people to change what they do and how they do it, an organization’s culture will cause resistance to change. For example, many organizations develop conservative values that support the status quo and make managers reluctant to search for new ways to compete. As a result, if the environment changes and a company’s products become obsolete, the company has nothing to fall back on, and failure is likely.[23](/books/9781323290941/content/id/ch10bib23) Sometimes, values and norms are so strong that even when the environment is changing and it is clear that a new strategy needs to be adopted, managers cannot change because they are committed to the way they presently do business. [Organizational Insight 10.2](/books/9781323290941/content/id/ch10oi2) illustrates what can happen to a company that suffers from this problem.

**Organizational Insight 10.2: InBev Takes over Anheuser-Busch**

Anheuser-Busch, the giant U.S. brewer, has suffered from declining performance in the 2000s and its stock price has stagnated. Analysts claim that the major reason for this is poor management, which starts at the top: Its CEO, August Busch IV, is the fifth member of the Busch family to hold that position. Given its dominant position in the brewing industry, its managers have failed to make the major changes necessary to keep the company growing profitably. Its values and norms emphasize caution and prudence, and managers’ main goal is to protect the company’s U.S. market share, given that it makes satisfactory profits so no one wants to rock the boat, least of all its complacent board of directors that has never challenged its top-management team.

All this changed in 2008 when giant European brewer InBev, headquartered in Belgium, launched a hostile takeover attempt for Anheuser-Busch. proposing to buy it for $46.3 billion, a large premium over its then stock price. Within weeks, shocked Anheuser-Busch top managers announced that they had conducted a complete evaluation of the performance of its various business divisions and decided to make major changes to quickly improve its performance. To save a billion a year in operating costs, the changes they proposed included laying off over a thousand employees, forcing early retirement on a thousand more, closing down several old inefficient plants, buying back its stock, and raising the price of its beers.[21](/books/9781323290941/content/id/ch10bib21)

Analysts commented this was too little too late. Why hadn’t its managers made these tough changes a long time ago? Now, the proposed changes simply revealed how poorly Anheuser-Busch was managed, and they doubted these moves would stop InBev’s takeover attempt because it was likely a fresh management team, driven by a new set of performance-oriented values and norms. It would be able to overcome inertia in the brewing company and find billions more in cost savings—as well as ways to innovate new kinds of products. Analysts thought it was the right time to make a change at the top and to get rid of the incumbent top managers who simply used their power to protect their own positions and not to improve company effectiveness. By 2009, InBev had succeeded in its attempt to acquire Anheuser-Busch, and by 2011 it had been able to streamline the company and realize over $500 million in cost savings a year. Today it is a much more effective company.[22](/books/9781323290941/content/id/ch10bib22)



**Group-Level Resistance to Change**

Much of an organization’s work is performed by groups, and several group characteristics can produce resistance to change. First, many groups develop strong informal norms that specify appropriate and inappropriate behaviors and govern the interactions between group members. Often, change alters task and role relationships in a group; when it does, it disrupts group norms and the informal expectations that group members have of one another. As a result, members of a group may resist change because a new set of norms must be developed to meet the needs of the new situation.

Group cohesiveness, the attractiveness of a group to its members, also affects group performance. Although some level of cohesiveness promotes group performance, too much cohesiveness may actually reduce performance because it stifles opportunities for the group to change and adapt. A highly cohesive group may resist attempts by management to change what it does or even who is a member of the group. Group members may unite to preserve the status quo and to protect their interests at the expense of other groups.

Groupthink is a pattern of faulty decision making that occurs in cohesive groups when members discount negative information in order to arrive at a unanimous agreement. Escalation of commitment worsens this situation because even when group members realize their decision is wrong, they continue to pursue it because they are committed to it. These group processes make changing a group’s behavior very difficult. And the more important the group’s activities are to the organization, the greater the impact of these processes on organizational performance.

**Individual-Level Resistance to Change**

There are also several reasons why individuals within an organization may be inclined to resist change.[24](/books/9781323290941/content/id/ch10bib24) First, people tend to resist change because they feel uncertain and insecure about what its outcome will be.[25](/books/9781323290941/content/id/ch10bib25) Workers might be given new tasks. Role relationships may be reorganized. Some workers might lose their jobs. Some people might benefit at the expense of others. Workers’ resistance to the uncertainty and insecurity surrounding change can cause organizational inertia. Absenteeism and turnover may increase as change takes place, and workers may become uncooperative, attempt to delay or slow the change process, and otherwise passively resist the change in an attempt to quash it.

Moreover, there is a general tendency for people to selectively perceive information that is consistent with their existing views of their organizations. Thus, when change takes place, workers tend to focus only on how it will affect them or their function or division personally. If they perceive few benefits, they may reject the purpose behind the change. Not surprisingly, it can be difficult for an organization to develop a common platform to promote change across an organization and get people to see the need for change in the same way.

Habit, people’s preference for familiar actions and events, is a further impediment to change. The difficulty of breaking bad habits and adopting new styles of behavior indicates how resistant habits are to change. Why are habits hard to break? Some researchers have suggested that people have a built-in tendency to return to their original behaviors, a tendency that stymies change.

**Lewin’s Force-Field Theory of Change**

A wide variety of forces make organizations resistant to change, and a wide variety of forces push organizations toward change. Researcher Kurt Lewin developed a theory about organizational change. According to his [force-field theory](/books/9781323290941/content/id/ch10bx3), these two sets of forces are always in opposition in an organization.[26](/books/9781323290941/content/id/ch10bib26) When the forces are evenly balanced, the organization is in a state of inertia and does not change. To get an organization to change, managers must find a way to increase the forces for change, reduce resistance to change, or do both simultaneously. Any of these strategies will overcome inertia and cause an organization to change.

Force-field theory

A theory of organizational change that argues that two sets of opposing forces within an organization determine how change will take place.

**Figure 10.2 Lewin’s Force-Field Theory of Change**



[Figure 10.2](/books/9781323290941/content/id/ch10fig2) illustrates Lewin’s theory. An organization at performance level P1 is in balance: Forces for change and resistance to change are equal. Management, however, decides that the organization should strive to achieve performance level P2. To get to level P2, managers must increase the forces for change (the increase is represented by the lengthening of the up arrows), reduce resistance to change (the reduction is represented by the shortening of the down arrows), or do both. If they pursue any of the three strategies successfully, the organization will change and reach performance level P2.

**Managerial Implications: Forces for and Resistances to Change**

* 1. Periodically analyze the organizational environment and identify forces for change.
* 2. Analyze how the change in response to these forces will affect people, functions, and divisions inside the organization.
* 3. Using this analysis, decide what type of change to pursue, and develop a plan to overcome possible resistance to change and to increase the forces for change.

Before we examine in more detail the techniques that managers can use to overcome resistance and facilitate change, we need to look at the types of change they can implement to increase organizational effectiveness.

**Evolutionary and Revolutionary Change in Organizations**

Managers continually face choices about how best to respond to the forces for change. There are several types of change that managers can adopt to help their organizations achieve desired future states. In general, types of change fall into two broad categories: evolutionary change and revolutionary change.[27](/books/9781323290941/content/id/ch10bib27)

[Evolutionary change](/books/9781323290941/content/id/ch10bx5) is gradual, incremental, and narrowly focused. Evolutionary change involves not a drastic or sudden altering of the basic nature of an organization’s strategy and structure but a constant attempt to improve, adapt, and adjust strategy and structure incrementally to accommodate to changes taking place in the environment.[28](/books/9781323290941/content/id/ch10bib28) Sociotechnical systems theory, total quality management, and the creation of empowered, flexible work groups are three instruments of evolutionary change that organizations use in their attempt to make incremental improvements in the way work gets done. Such improvements might be a better way to operate a technology or to organize the work process.

Evolutionary change

Change that is gradual, incremental, and specifically focused.

Evolutionary change is accomplished gradually, incrementally. Some organizations, however, need to make major changes quickly. They do not want to take the time to set up and implement programs that foster evolutionary change or wait for the performance results that such programs can bring about. Faced with drastic, unexpected changes in the environment (for example, a new technological breakthrough) or with impending disaster resulting from years of inaction and neglect, an organization needs to act quickly and decisively. Revolutionary change is called for.

[Revolutionary change](/books/9781323290941/content/id/ch10bx6) is rapid, dramatic, and broadly focused. Revolutionary change involves a bold attempt to quickly find new ways to be effective. It is likely to result in a radical shift in ways of doing things, new goals, and a new structure. It has repercussions at all levels in the organization—corporate, divisional, functional, group, and individual. Reengineering, restructuring, and innovation are three important instruments of revolutionary change.

Revolutionary change

Change that is sudden, drastic, and organization-wide.

**Developments in Evolutionary Change: Sociotechnical Systems Theory**

[Sociotechnical systems theory](/books/9781323290941/content/id/ch10bx7) was one of the first theories that proposed the importance of changing role and task or technical relationships to increase organizational effectiveness.[29](/books/9781323290941/content/id/ch10bib29) It emerged from a study of changing work practices in the British coal-mining industry.[30](/books/9781323290941/content/id/ch10bib30)

Sociotechnical systems theory

A theory that proposes the importance of changing role and task or technical relationships to increase organizational effectiveness.

After World War II, new technology that changed work relationships between miners was introduced into the British mining industry. Before the war, coal mining was a small-batch or craft process. Teams of skilled miners dug coal from the coal face underground and performed all the other activities necessary to transport the coal to the surface. Work took place in a confined space where productivity depended on close cooperation between team members. Miners developed their own routines and norms to get the job done and provided one another with social support to help combat the stress of their dangerous and confining working conditions.

This method of coal mining, called the “hand got method,” approximated small-batch technology (see [Chapter 9](/books/9781323290941/content/id/ch09)). To increase efficiency, managers decided to replace it with the “long wall method.” This method used a mechanized, mass production technology. Coal was now cut by miners using powered drills, and it was transported to the surface on conveyor belts. Tasks became more routine as the work process was programmed and standardized. On paper, the new technology promised impressive increases in mining efficiency, but after its introduction, efficiency rose slowly and absenteeism among miners, which had always been high, increased dramatically. Researchers were called in to figure out why the expected gains in efficiency had not occurred.

The researchers pointed out that to operate the new technology efficiently, management had changed the task and role relationships among the miners that had destroyed informal norms, damaged social support, disrupted long-established working relationships, and reduced group cohesiveness. To solve the problem, the researchers recommended linking the new technology with the old social system by recreating the old system of tasks and roles and by decentralizing authority to work groups. When management redesigned the production process in this way, productivity improved and absenteeism fell.

This study led to the development of sociotechnical systems theory, which argues that managers need to fit or “jointly optimize” the workings of an organization’s technical and social systems—or, in terms of the present discussion, culture—to promote effectiveness.[31](/books/9781323290941/content/id/ch10bib31) A poor fit between an organization’s technology and social system leads to failure, but a close fit leads to success. The lesson to take from sociotechnical systems theory is that when managers change task and role relationships, they must recognize the need to adjust the technical and social systems gradually so group norms and cohesiveness are not disrupted. By taking this gradual approach, an organization can avoid the group-level resistance to change that we discussed earlier in this chapter.

This pioneering study has been followed by many other studies that show the importance of the link between type of technology and cultural values and norms.[32](/books/9781323290941/content/id/ch10bib32) Managers need to be sensitive to the fact that the way they structure the work process affects the way people and groups behave. Compare the following two mass production settings, for example. In the first, managers routinize the technology, standardize the work process, and require workers to perform repetitive tasks as quickly as possible; workers are assigned to a place on the production line and are not allowed to move or switch jobs; and managers monitor workers closely and make all the decisions involving control of the work process. In the second, managers standardize the work process but encourage workers to find better ways to perform tasks; workers are allowed to switch jobs; and workers are formed into teams that are empowered to monitor and control important aspects of their own performance.

What differences in values and norms will emerge between these two types of sociotechnical systems? And what will be their effect on performance? Many researchers have argued that the more team-based system will promote the development of values and norms that will boost efficiency and product quality. Indeed, the goal of total quality management, the continuous improvement in product quality, draws heavily on the principles embedded in sociotechnical systems theory; so does the development of flexible workers and workgroups, both discussed next.

**Total Quality Management**

[Total quality management (TQM)](/books/9781323290941/content/id/ch10bx8) is an ongoing and constant effort by all of an organization’s functions to find new ways to improve the quality of the organization’s goods and services.[33](/books/9781323290941/content/id/ch10bib33) In many companies, the initial decision to adopt a TQM approach signals a radical change in the way activities are organized. Once TQM is adopted by an organization, however, it leads to continuous, incremental change, and all functions are expected to cooperate with each other to improve quality.

Total quality management (TQM)

A technique developed by W. Edwards Deming to continuously improve the effectiveness of flexible work teams.

First developed by a number of American business consultants such as W. Edwards Deming and Joseph Juran, total quality management was eagerly embraced by Japanese companies after World War II. For Japanese companies, with their tradition of long-term working relationships and cooperation between people and groups, the implementation of the new TQM system was an incremental step. Shop-floor workers in Japan, for example, had long been organized into [quality circles](/books/9781323290941/content/id/ch10bx9), groups of workers who met regularly to discuss the way work is performed to find new ways to increase performance.[34](/books/9781323290941/content/id/ch10bib34) Changes frequently inspired by TQM include altering the design or type of machines used to assemble products and reorganizing the sequence of activities—either within or between functions—necessary to provide a service to a customer. As in sociotechnical systems theory, the emphasis in TQM is on the fit or match between technical and social systems.

Quality circles

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Changing cross-functional relationships to help improve quality is important in TQM. Poor quality often originates at crossover points or after handoffs when people turn over the work they are doing to people in different functions. The job of intermediate manufacturing, for example, is to assemble inputs that are put together into a final product. Coordinating the design of the various inputs so they fit together smoothly and operate effectively together is one area of TQM. Members of the different functions work together to find new ways to reduce the number of inputs needed or to suggest design improvements that will enable inputs to be assembled more easily and reliably. Such changes increase quality and lower costs. Note that the changes associated with TQM (as with sociotechnical systems theory) are changes in task, role, and group relationships. The results of TQM activities can be dramatic, as Citibank, a leading global financial institution, discovered when it began to use TQM to increase its responsiveness to customers.

Recognizing that customer loyalty determined the bank’s future success, as the first step in its TQM effort Citibank focused on identifying the factors that dissatisfied its customers. When it analyzed customer complaints, managers found that most of them concerned the time it took to complete a customer’s request, such as responding to an account problem or getting a loan. So Citibank’s managers began to examine how they handled each kind of customer request. For each distinct kind of request, they formed a cross-functional team of people whose job was to break down a specific request into the steps between people and departments that were needed to complete the request and analyze them. These teams found that often many steps in the process were unnecessary and could be done away with by the use of the right information systems. They also found that very often delays occurred because employees simply did not know how to handle the request. They were not being given the right kind of training, and when they couldn’t handle a request, they simply put it aside until a supervisor could deal with it.

So Citibank decided to implement an organization-wide TQM program. Managers and supervisors were charged with reducing the complexity of the work process and finding the most effective way to process a particular request, such as for a loan. They were also charged with training employees on how to answer each specific request. The results were remarkable. For example, in the loan department the TQM program reduced the number of handoffs necessary to process a request by 75%; average time taken to respond to a customer dropped from several hours to 30 minutes. Within one year, over 92,000 employees had been trained worldwide in the new TQM processes, and Citibank could easily measure TQM’s effectiveness by the increased speed with which it was handling an increased volume of customer requests. Another example of how TQM works is described in [Organizational Insight 10.3](/books/9781323290941/content/id/ch10oi3).

More and more companies are embracing the continuous, incremental type of change that results from the implementation of TQM programs. Many companies have found, however, that implementing a TQM program is not always easy because it requires workers and managers to adopt new ways of viewing their roles in an organization. Managers must be willing to decentralize control of decision making, empower workers, and assume the role of facilitator rather than supervisor. The “command and control” model gives way to an “advise and support” model. It is important that workers, as well as managers, share in the increased profits that successful TQM programs can provide. In Japan, for example, performance bonuses frequently account for 30% or more of workers’ and managers’ salaries, and salaries can fluctuate widely from year to year as a result of changes in organizational performance.

**Summary**

Organizational change is an ongoing process with important implications for organizational effectiveness. An organization and its members must be constantly on the alert for changes from within the organization and from the outside environment, and they must learn how to adjust to change quickly and effectively. Often, the revolutionary types of change that result from restructuring and reengineering are necessary only because an organization and its managers ignored or were unaware of changes in the environment and did not make incremental changes as needed. The more an organization changes, the easier and more effective the change process becomes. Developing and managing a plan for change are vital to an organization’s success. [Chapter 10](/books/9781323290941/content/id/ch10) has made the following major points:

* 1. Organizational change is the movement of an organization away from its present state and toward some future state to increase its effectiveness. Forces for organizational change include competitive forces; economic, political, and global forces; demographic and social forces; and ethical forces. Organizations are often reluctant to change because resistance to change at the organization, group, and individual levels has given rise to organizational inertia.
* 2. Sources of organization-level resistance to change include power and conflict, differences in functional orientation, mechanistic structure, and organizational culture. Sources of group-level resistance to change include group norms, group cohesiveness, and groupthink and escalation of commitment. Sources of individual-level resistance to change include uncertainty and insecurity, selective perception and retention, and habit.
* 3. According to Lewin’s force-field theory of change, organizations are balanced between forces pushing for change and forces resistant to change. To get an organization to change, managers must find a way to increase the forces for change, reduce resistance to change, or do both simultaneously.
* 4. Types of change fall into two broad categories: evolutionary and revolutionary. The main instruments of evolutionary change are sociotechnical systems theory, total quality management, and the development of flexible workers and work teams. The main instruments of revolutionary change are reengineering, restructuring, and innovation.
* 5. Action research is a strategy that managers can use to plan the change process. The main steps in action research are (a) diagnosis and analysis of the organization, (b) determining the desired future state, (c) implementing action, (d) evaluating the action, and (e) institutionalizing action research.
* 6. Organizational development (OD) is a series of techniques and methods to increase the adaptability of organizations. OD techniques can be used to overcome resistance to change and to help the organization to change itself.
* 7. OD techniques for dealing with resistance to change include education and communication, participation and empowerment, facilitation, bargaining and negotiation, manipulation, and coercion.
* 8. OD techniques for promoting change include, at the individual level, counseling, sensitivity training, and process consultation; at the group level, team building and intergroup training; and at the organizational level, organizational confrontation meetings.