

# **NIT-Lecture 5**

## **GSU 08202C**

### **Entrepreneurship**

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# Change Management

# Change Management

- ▶ Change management is defined as the process of achieving the smooth implementation of change by planning and introducing it systematically, taking into account the likelihood of it being resisted.
- ▶ Change, it is often said, is the only thing that remains constant in organizations.
- ▶ As A P Sloan wrote in *My Years with General Motors* (1967) 'The circumstances of an ever-changing market and an ever-changing product are capable of breaking any business organization if that organization is unprepared for change.'
- ▶ Change cannot just be allowed to happen. It needs to be managed.

# Change Management

- ▶ To manage change it is first necessary to understand the types of change and how the process works.
- ▶ It is important to bear in mind that while those wanting change need to be constant about ends, they have to be flexible about means.
- ▶ This requires them to come to an understanding of the various models of change that have been developed and of the factors that create resistance to change and how to minimize such resistance.
- ▶ Change often takes place incrementally but it can take the form of a transformation of the organization, and the considerations affecting the management of transformational change.



# Types of Change

There are three types of change: strategic, operational and transformational.

## ► Strategic change

- Strategic change is concerned with broad, long-term and organization-wide issues involving change. It is about moving to a future state that has been defined generally in terms of strategic vision and scope.
- It will cover the purpose and mission of the organization, its corporate philosophy on such matters as growth, quality, innovation and values concerning employees and customers, competitive positioning and strategic goals for achieving and maintaining competitive advantage and for product-market development.
- These goals are supported by policies concerning marketing, sales, manufacturing, product and process development, finance and human resource management

# Types of Change

- ▶ Operational change
  - ▶ Operational change relates to new systems, procedures, structures or technology that will have an immediate effect on working arrangements within a part of the organization.
  - ▶ But its impact on people can be more significant than broader strategic change and it has to be handled just as carefully.
- ▶ Transformational change
  - ▶ Transformational change takes place when there are fundamental and comprehensive changes in structures, processes and behaviours that have a dramatic effect on the ways in which the organization functions.

# The Change Process

- ▶ Conceptually, the change process starts with an awareness of the need for change. An analysis of this situation and the factors that have created it leads to a diagnosis of their distinctive characteristics and an indication of the direction in which action needs to be taken.
- ▶ Possible courses of action can then be identified and evaluated and a choice made of the preferred action. It is then necessary to decide how to get from here to there.
- ▶ Managing change during this transition state is a critical phase in the change process. It is here that the problems of introducing change emerge and have to be managed. These problems can include resistance to change, low stability, high levels of stress, misdirected energy, conflict and loss of momentum.
- ▶ Hence the need to do everything possible to anticipate reactions and likely impediments to the introduction of change.
- ▶ The installation stage can also be painful. When planning change there is a tendency for people to think that it will be an entirely logical and linear process of going from A to B. It is not like that at all. As described by Pettigrew and Whipp (1991), the implementation of change is an 'iterative, cumulative and reformulation-in-use process'



# Change Management Process

- ▶ Change management means defining and adopting corporate strategies, structures, procedures and technologies to deal with changes in external conditions and the business environment.
- ▶ All organizations need to deal with change events. Successful organizations are able to manage change in a coherent manner and are able to generate the most benefit from changes and improvements to the way they do business.
- ▶ A company is likely to deal with a number of different types of change events. These could include:
  - ▶ **Changes in scale** – The Company wins a large contract or opens a new business line there will be a need to change the way the business works due to the increasing size of the organization e.g. increases in employees, need for new premises, need for additional vehicles, changes in management structures etc



# Change Management Process

- ▶ **Changes in personnel** – A more common change event that all organizations will face from time to time is the need to adapt to changes in the personnel in key positions within the business. For example, a change in supervisor may change team dynamics whilst a change in accountant could include the risk of losing significant corporate knowledge.
- ▶ **Changes in technology** – Where there have been improvements in technology (e.g. communications, IT or equipment) there will be a need for Company to update their systems and train their employees to effectively manage the change.
- ▶ **Changes in service offerings** – In circumstances where Company was to change the business lines that we service then there will be a need to manage a change process through training existing staff, recruiting additional staff, updating the business plan and potentially investing in new equipment and marketing literature.
- ▶ **Legislative change** – Changes in laws and regulations could have a significant impact on how the Company goes about undertaking its work.

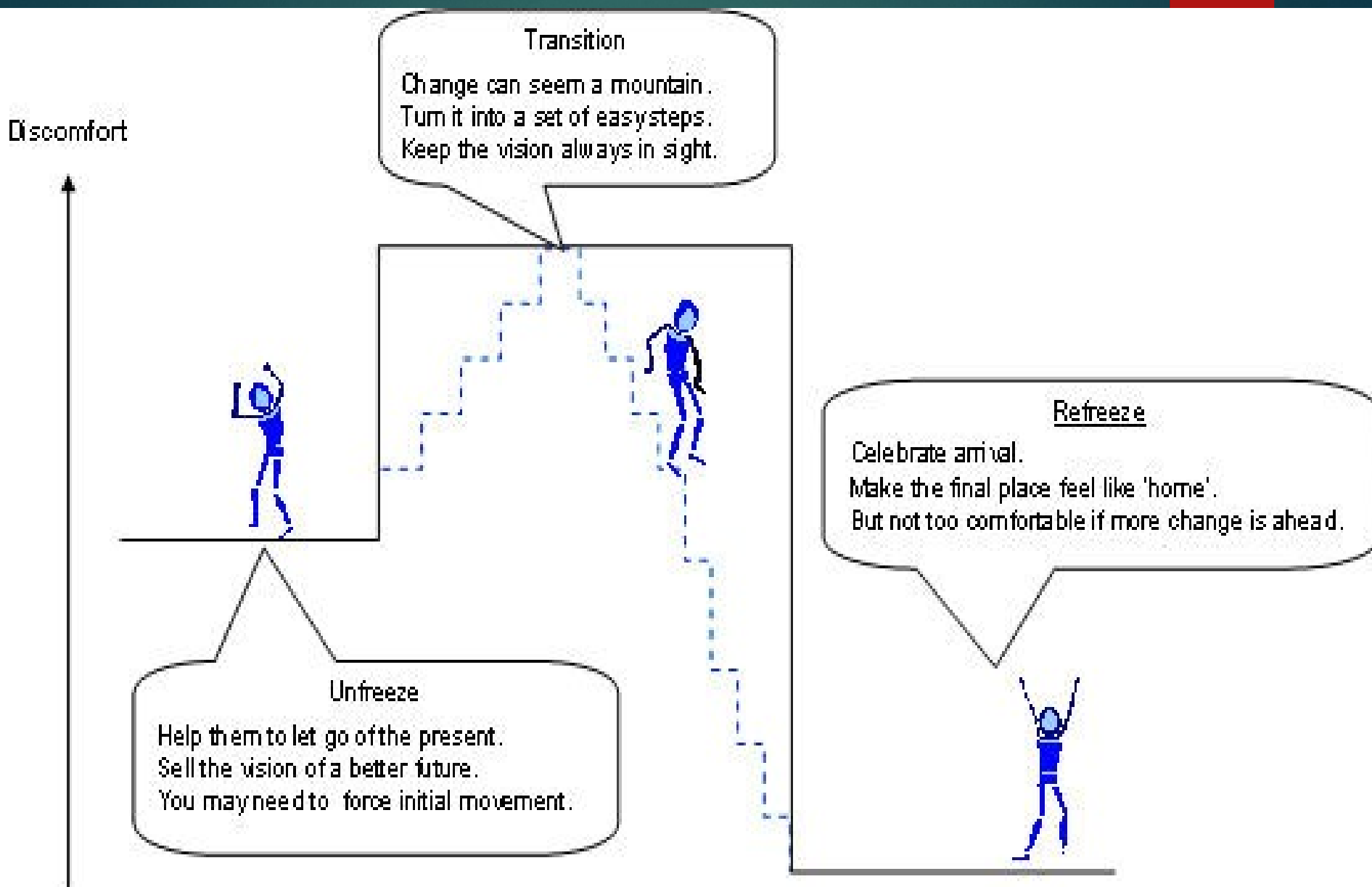
# LEWIN'S PHASE OF THE CHANGE MANAGEMENT PROCESS

The best known change models are those developed by Lewin (1951) and Beckhard (1969). But other important contributions to an understanding of the mechanisms for change have been made by Thurley (1979), Bandura (1986) and Beer et al (1990).

The basic mechanisms for managing change as set out by Lewin (1951) are:

- ▶ Unfreezing Techniques
  - ▶ To get them going
- ▶ Transitioning Techniques
  - ▶ To get them to the right place
- ▶ Refreezing Techniques
  - ▶ To keep them there

# LEWIN'S PHASE OF THE CHANGE MANAGEMENT PROCESS





# UNFREEZING TECHNIQUES

- ▶ Unfreezing is the first of Lewin's change transition stages, where people are taken from a state of being unready to change to being ready and willing to make the first step.
- ▶ Here are some ways to make it happen:
  - ▶ Burning platform: Expose or create a crisis.
  - ▶ Challenge: Inspire them to achieve remarkable things.
  - ▶ Command: Just tell them to move!
  - ▶ Evidence: Cold, hard data is difficult to ignore.
  - ▶ Destabilizing: Shaking people of their comfort zone.
  - ▶ Education: Learn them to change.
  - ▶ Management by Objectives (MBO): Tell people what to do, but not how.
  - ▶ Restructuring: Redesign the organization to force behavior change.
  - ▶ Rites of passage: Hold a wake to help let go of the past.
  - ▶ Setting goals: Give them a formal objective.
  - ▶ Visioning: Done well, visions work to create change.
  - ▶ Whole-system Planning: Everyone planning together.

# TRANSITIONING TECHNIQUES

- ▶ Kurt Lewin's three phases give main phases of change. Once you have unfrozen the people, the next question is how you keep them going.
  - ▶ Boiling the frog: Incremental changes may well not be noticed.
  - ▶ Challenge: Inspire them to achieve remarkable things.
  - ▶ Coaching: Psychological support for executives.
  - ▶ Command: Tell them what to do.
  - ▶ Education: Teach them, one step at a time.
  - ▶ Facilitation: Use a facilitator to guide team meetings.
  - ▶ First steps: Make it easy to get going.
  - ▶ Involvement: Give them an important role.
  - ▶ Management by Objectives (MBO): Tell people what to do, but not how.
  - ▶ Open Space: People talking about what concerns them.

# TRANSITIONING TECHNIQUES

- ▶ Kurt Lewin's three phases give main phases of change. Once you have unfrozen the people, the next question is how you keep them going.
  - ▶ Re-education: Train the people you have in new knowledge/skills.
  - ▶ Restructuring: Redesign the organization to force behavior change.
  - ▶ Shift-and-synchronise (harmonize): Change a bit then pause restabilize.
  - ▶ Spill and fill: Incremental movement to a new organization.
  - ▶ Stepwise change: breaking things down into smaller packages.
  - ▶ Whole-system Planning: Everyone planning together.



# REFREEZING TECHNIQUES

- ▶ Refreezing is the third of Lewin's change transition stages, where people are taken from a state of being in transition and moved to a stable and productive state.
- ▶ Here are some ways to make it happen.
  - ▶ Burning bridges: Ensure there is no way back.
  - ▶ Evidence stream: Show them time and again that the change is real.
  - ▶ Golden handcuffs: Put rewards in their middle-term future.
  - ▶ Institutionalization: Building change into the formal systems and structures.
  - ▶ New challenge: Get them looking to the future.
  - ▶ Reward alignment: Align rewards with desired behaviors.
  - ▶ Rites of passage: Use formal rituals to confirm change.
  - ▶ Socializing: Build it into the social fabric.

# Resistance to change

- ▶ People resist change because it is seen as a threat to familiar patterns of behaviour as well as to status and financial rewards.
- ▶ However, some people will welcome change as an opportunity. These need to be identified and where feasible they can be used to help in the introduction of change as change agents.
- ▶ Joan Woodward (1968) on resistance to change
  - ▶ “When we talk about resistance to change we tend to imply that management is always rational in changing its direction, and that employees are stupid, emotional or irrational in not responding in the way they should. But if an individual is going to be worse off, explicitly or implicitly, when the proposed changes have been made, any resistance is entirely rational in terms of his [sic] own best interest. The interests of the organization and the individual do not always coincide”

# Why Resistance to change?

The main reasons for resisting change are as follows:

## ▶ **The shock of the new**

- ▶ People are suspicious of anything that they perceive will upset their established routines, methods of working or conditions of employment. They do not want to lose the security of what is familiar to them.
- ▶ They may not believe statements by management that the change is for their benefit as well as that of the organization; sometimes with good reason. They may feel that management has ulterior motives and sometimes, the louder the protestations of management, the less they will be believed.

## ▶ **Economic fears**

- ▶ Loss of money, threats to job security.

## ▶ **Inconvenience**

- ▶ The change will make life more difficult.

## ▶ **Uncertainty**

- ▶ Change can be worrying because of uncertainty about its likely impact.



# Why Resistance to change?

The main reasons for resisting change are as follows:

## ▶ **Symbolic fears**

- ▶ A small change that may affect some treasured symbol, such as a separate office or a reserved parking space, may symbolize big ones, especially when employees are uncertain about how extensive the programme of change will be.

## ▶ **Threat to interpersonal relationships**

- ▶ Anything that disrupts the customary social relationships and standards of the group will be resisted.

## ▶ **Threat to status or skill**

- ▶ The change is perceived as reducing the status of individuals or as de-skilling them.

## ▶ **Competence fears**

- ▶ Concern about the ability to cope with new demands or to acquire new skills

# Overcoming resistance to change

Resistance to change can be difficult to overcome even when it is not detrimental to those concerned. But the attempt must be made.

- ▶ The first step is to analyse the potential impact of change by considering how it will affect people in their jobs.
- ▶ The reasons for resisting change set out above can be used as a checklist of where there may be problems, generally, with groups or with individuals.
- ▶ The analysis should indicate what aspects of the proposed change may be supported generally or by specified individuals and which aspects may be resisted. So far as possible, the potentially hostile or negative reactions of people and the reasons for them should be identified.
- ▶ It is necessary to try to understand the likely feelings and fears of those affected so that unnecessary worries can be relieved and, as far as possible, ambiguities can be resolved.

# Overcoming resistance to change

- ▶ In making this analysis, the individual introducing the change – the change agent – should recognize that new ideas are likely to be suspect and should make ample provision for the discussion of reactions to proposals to ensure complete understanding of them.
- ▶ Involvement in the change process gives people the chance to raise and resolve their concerns and make suggestions about the form of the change and how it should be introduced.
- ▶ The aim is to get 'ownership' – a feeling amongst people that the change is something that they are happy to live with because they have been involved in its planning and introduction – it has become their change.
- ▶ A communication strategy to explain the proposed change should be prepared and implemented so that unnecessary fears are allayed. All the available channels, as described in Chapter 57, should be used but face-to-face communication direct from managers to individuals or through a team briefing system are best.



# Guidelines for change management

- ▶ The achievement of sustainable change requires strong commitment and visionary leadership from the top.
- ▶ Understanding is necessary of the culture of the organization and the levers for change that are most likely to be effective in that culture.
- ▶ Those concerned with managing change at all levels should have the temperament and leadership skills appropriate to the circumstances of the organization and its change strategies.
- ▶ Change is more likely to be successful if there is a 'burning platform' to justify it, ie a powerful and convincing reason for change.
- ▶ People support what they help to create. Commitment to change is improved if those affected by change are allowed to participate as fully as possible in planning and implementing it.

# Guidelines for change management

- ▶ The reward system should encourage innovation and recognize success in achieving change.
- ▶ Change will always involve failure as well as success. The failures must be expected and learnt from.
- ▶ Hard evidence and data on the need for change are the most powerful tools for its achievement, but establishing the need for change is easier than deciding how to satisfy it.
- ▶ It is easier to change behaviour by changing processes, structure and systems than to change attitudes or the organizational culture.
- ▶ There are always people in organizations who can act as champions of change. They will welcome the challenges and opportunities that change can provide. They are the ones to be chosen as change agents.

# Guidelines for change management

- ▶ Resistance to change is inevitable if the individuals concerned feel that they are going to be worse off – implicitly or explicitly. The inept management of change will produce that reaction.
- ▶ In an age of global competition, technological innovation, turbulence, discontinuity, even chaos, change is inevitable and necessary. The organization must do all it can to explain why change is essential and how it will affect everyone. Moreover, every effort must be made to protect the interests of those affected by change.



# Key elements in successful Change Management

The key elements in organization 's approach to change management include:

## ▶ **Planning:**

- ▶ Developing and documenting the objectives to be achieved by any change and the means to achieve it.

## ▶ **Defined Governance:**

- ▶ Establishing appropriate organizational structures, roles, and responsibilities for the change that engage stakeholders and support the change effort.

## ▶ **Committed Leadership:**

- ▶ Ongoing commitment from the leadership of the Company and across the organization to guide organizational behaviour, and lead by example.

# Key elements in successful Change Management

## ▶ **Informed Stakeholders:**

- ▶ Encouraging stakeholder participation and commitment to the change, by employing open and consultative communication approaches to create awareness and understanding of the change throughout the Organization.

## ▶ **Aligned Workforce:**

- ▶ Identifying the human impacts of the change, and developing plans to align the Company workforce to support the changing organisation.

# Organizational transformation

- ▶ Organizational transformation is defined by Cummins and Worley (2005) as 'A process of radically altering the organization's strategic direction, including fundamental changes in structures, processes and behaviours.'
- ▶ Transformation involves what is called 'second order' or 'gamma' change involving discontinuous shifts in strategy, structure, processes or culture.
- ▶ Transformation is required when:-
  - ▶ Significant changes occur in the competitive, technological, social or legal environment;
  - ▶ Major changes take place to the product lifecycle requiring different product development and marketing strategies;
  - ▶ Major changes take place in top management;
  - ▶ Financial crisis or large downturn occurs;
  - ▶ Acquisition or merger takes place



# Organizational transformation

## ▶ Transformation strategies

- ▶ Transformation strategies are usually driven by senior management and line managers with the support of HR rather than OD specialists.
- ▶ Organizational transformation strategic plans may involve radical changes to the structure, culture and processes of the organization – the way it looks at the world.
- ▶ They may involve planning and implementing significant and far-reaching developments in corporate structures and organization-wide processes.
- ▶ The change is neither incremental (bit by bit) nor transactional (concerned solely with systems and procedures).

## ▶ Transformation through leadership

- ▶ Transformation programmes are led from the top within the organization. They do not rely on an external 'change agent' as did traditional OD interventions, although specialist external advice might be obtained on aspects of the transformation such as strategic planning, reorganization or developing new reward processes.

# Organizational transformation

- ▶ Managing the transition
  - ▶ Strategies need to be developed for managing the transition from where the organization is to where the organization wants to be.
  - ▶ This is the critical part of a transformation programme, it is during the transition period of getting from here to there that change takes place.
  - ▶ The strategic plan for managing the transition should include provisions for involving people in the process and for communicating to them about what is happening, why it is happening and how it will affect them. Clearly the aim is to get as many people as possible committed to the change.
- ▶ Transformation capability
  - ▶ The development and implementation of transformation strategies require special capabilities.
  - ▶ As Gratton (1999) point Transformation capability depends in part on the ability to create and embed processes which link business strategy to the behaviours and performance of individuals and teams

# The role of HR in managing change

- ▶ If HRM (Human Resources Manager) is concerned – as it should be – in playing a major role in the achievement of continuous improvement in organizational capability and individual performance, and in the HR processes that support that improvement, then it will need to be involved in facilitating change.
- ▶ Ulrich (1997a) believes that one of the key roles of HR professionals is to act as change agents, delivering organizational transformation and culture change.
- ▶ In 2001 Purcell suggested that change is especially important in HRM strategies 'since their concern is with the future, the unknown, thinking of and learning how to do things differently, undoing the ways things have been done in the past, and managing its implementation'. He believes that the focus of strategy is on implementation, where HR can play a major part



# The role of HR in managing change

- ▶ The importance of the human resource element in achieving change has been emphasized by Johnson and Scholes (1997):
  - ▶ Organizations which successfully manage change are those which have integrated their human resource management policies with their strategies and the strategic change process... training, employee relations, compensation packages and so on.

# HR professionals as change agents

Caldwell (2001) categorizes HR change agents in four dimensions:

- ▶ 1. Transformational change
  - ▶ A major change that has a dramatic effect on HR policy and practice across the whole organization.
- ▶ 2. Incremental change
  - ▶ Gradual adjustments of HR policy and practices that affect single activities or multiple functions.
- ▶ 3. HR vision
  - ▶ A set of values and beliefs that affirm the legitimacy of the HR function as strategic business partner.
- ▶ 4. HR expertise
  - ▶ The knowledge and skills that define the unique contribution the HR professional can make to effective people management.

Across these dimensions, the change agent roles that Caldwell suggests can be carried out by HR professionals are those of change champions, change adapters, change consultants and change synergists

# The contribution of HR to change management

- ▶ HR practitioners may be involved in initiating change but they can also act as a stabilizing force in situations where change would be damaging.
- ▶ Mohrman and Lawler (1998) believe that:-
  - ▶ The human resources function can help the organization develop the capability to weather the changes that will continue to be part of the organizational landscape.
  - ▶ It can help with the ongoing learning processes required to assess the impact of change and enable the organization to make corrections and enhancements to the changes.
  - ▶ It can help the organization develop a new psychological contract and ways to give employees a stake in the changes that are occurring and in the performance of the organization



# Message

“The knowledge required to create wealth ... is not lacking, what is lacking in Sub-Saharan Africa, is the will to turn this knowledge into practical innovations”

*By African Context- Kofi Annan*

THE END