Organizational Change

by Sophia

In this lesson, you will learn about the organizational life cycle and the three fundamental dimensions of organizational change. Specifically, this lesson will cover:

1. The Importance of Being Adaptable

Our discussion about organizational structure to this point has focused on the forms that an organization might take and the options that are available to managers as they design structures for their organizations. However, organizations are constantly evolving. One common refrain is that "there is nothing so constant as change." Because of this, there is no one best way to organize in all circumstances. Effective managers need to be aware of the various factors that drive the need for change. There are advantages and disadvantages of each of the various forms of organizing we have discussed. Managers need to adapt the organization so that it is ideally situated to accomplish current organizational goals. Thus, effective managers need to know how to plan and implement change to achieve organizational success.

We will begin this section by reviewing the types of changes that may occur in an organization. Then we will explore the organizational life cycle model, which explains how the structural needs of an organization evolve over time (Brown & Eisenhardt, 1997).

2. Types of Change

There are many different types of changes in organizations. The first, consistent with what we talked about so far in this chapter, is **structural change**. This has to do with the changes in the overall formal relationships within an organization. Examples of structural change include reorganizing departments or business units, adding employee positions, or revising job roles and assignments. These changes should be made to support broader objectives such as to centralize or decentralize operations, empower employees, or find greater efficiencies.

Another common type of change is **technological change**. Implementation of new technologies is often forced upon an organization as the environment shifts.

> ↗ EXAMPLE The advent of web-based cloud technologies is an example from the last decade and an example of ways in which new forms of collaboration are becoming more available. Technological change often induces structural change because it requires different ways of connecting across an

organizational system.

A third type of organizational change is **culture change**. Organizational culture refers to the common patterns of thinking and behaving within an organization. Culture is rooted in the underlying beliefs and assumptions that people hold of themselves and of the organization. These beliefs and assumptions create mindsets that shape the culture. Culture change is among the most difficult kinds of changes to create within an organizational system. It often involves reshaping and reimagining the core identity of the organization. A typical culture change process, if it is successful, requires many years to achieve (Kotter & Schlesinger, 1979).

> 📄 **TERM TO KNOW**
>
> **Structural Change**
>
> Changes in the overall formal relationships, or the architecture of relationships, within an organization.
>
> **Technological Change**
>
> Implementation of new technologies that often forces organizations to change.
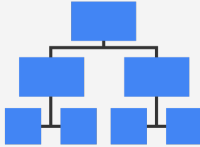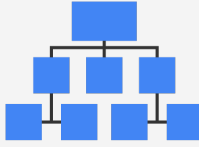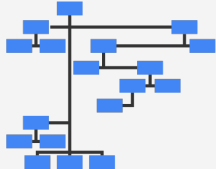>
> **Culture Change**
>
> Involves reshaping and reimagining the core identity of the organization.

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3. The Organizational Life Cycle

The **organizational life cycle** describes the period of time from the beginning to the end of an organization's existence. The life cycle occurs in four predictable phases (see the table below). The patterns and structures that appear in an organization need to evolve over time.

Most organizations begin as very small systems that feature very loose structures. In a new venture, nearly every employee might contribute to many aspects of an organization's work. As the business grows, the workload increases, and more workers are needed. Naturally, as the organization hires more and more people, employees begin to specialize. Over time, these areas of specialization mature through **differentiation**, the process of organizing employees into groups that focus on specific functions in the organization. Usually, differentiated tasks should be organized in a way that makes them complementary, where each employee contributes an essential activity that supports the work and outputs of others in the organization.

In the first phase, *entrepreneurship*, the organization is usually very small and agile, focusing on new products and markets. The founders typically focus on a variety of responsibilities, and they often share frequent and informal communication with all employees in the new company. Employees enjoy a very informal relationship, and the work assignments are very flexible. Usually, there is a loose, organic organizational structure in this phase.

	Entrepreneurship	Survival and Early Success	Sustained Success	Renewal (or decline)
Organization				
Extent of Formal Systems	Minimal to nonexistent	Minimal	Basic/Developing/ Maturing	Extensive
Key Ideas	- Marshalling of resources - Lots of ideas - Entrepreneurial activities - Little planning and coordination - Formation of a "niche" - "Prime mover" has power	- Informal communication and structure - Sense of collectivity - Long hours spent - Sense of mission - Innovation continues - High commitment	- Formalization of rules - Stable structure - Emphasis on efficiency and maintenance - Conservatism - Institutionalized procedures	- Elaboration (or reduction) of structure - Decentralization (or centralization) - Domain expansion (or reduction) - Adaptation (or stagnation) - Renewal (or decline)

The second phase, *survival and early success*, occurs as an organization begins to scale up and find continuing success. The organization develops more formal structures around more specialized job assignments. Incentives and work standards are adopted. The communication shifts to a more formal tone with the introduction of hierarchy with upper- and lower-level managers. It becomes impossible for every employee to have personal relationships with every other employee in the organization. At this stage, it becomes appropriate to introduce mechanistic structures that support the standardization and formalization required to create effective coordination across the organization.

In a third phase, *sustained success or maturity*, the organization expands and the hierarchy deepens, now with multiple levels of employees. Lower-level managers are given greater responsibility, and managers for significant areas of responsibility may be identified. Top executives begin to rely almost exclusively on lower-level leaders to handle administrative issues so that they can focus on strategic decisions that affect the overall organization. At this stage, the mechanistic structures of the organization are strengthened, and functional structures may be introduced. Often, tension emerges over how to find balance in the structure. Most organizations at this stage of development need to have elements of a mechanistic bureaucracy while maintaining an environment that allows for the innovation and flexibility that is a feature of an organic structure.

A transition to the fourth phase, *renewal or decline*, occurs when an organization expands to the point that its operations are far-flung and need to operate somewhat autonomously. Functional structures become almost essential, and subunits may begin to operate as independent businesses. Often, the tensions in the company between mechanistic and organic inclinations may be out of balance. To address these issues, the organization has to be reorganized or restructured to achieve higher levels of coordination between and among different groups or subunits. Managers may need to address fundamental questions about the overall direction and administration of the organization.

To summarize, the key insight about the organizational life cycle is that the needs of an organization will evolve over time. Different structures are needed at different stages as an organization develops. The needs of employees will also change. An understanding of the organizational life cycle provides a framework for thinking about changes that may be needed over time.

📄 **TERM TO KNOW**

The Organizational Life Cycle
Describes the period of time from the beginning to the end of an organization's existence; occurs in four predictable phases.

Differentiation
The process of organizing employees into groups that focus on specific functions in the organization.

4. The Three Fundamental Dimensions of Change

When considering how to assess the need for change in an organization, it can be helpful to think of three dimensions: the scope of change, the level of change, and the intentionality of change.

4a. Scope of Change

The first dimension, scope of change, refers to the degree to which the required change will disrupt current patterns and routines. **Incremental change** refers to small refinements in current organizational practices or routines that do not challenge, but rather build on or improve existing aspects and practices within the organization. Common incremental change practices are LEAN and Six Sigma, which are used to find relatively small changes that can generate greater efficiencies in a process. An organization can improve its product-line efficiencies by identifying small discrepancies in process, then fixing them in a systematic way. Incremental change does not typically challenge people to be at the edge of their comfort zone (Setter, 2018).

In contrast, **transformational change** refers to significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or structures. Transformational change can be invigorating for some employees, but also highly disruptive and stressful for others. Examples of transformational change include large systems changes and organizational restructuring. Culture change often requires transformational change to be successful (Eisenbach et al., 1999).

Finally, a **strategic change** is a change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives. This kind of change is sometimes necessary for an organization to achieve the focus it needs to stay competitive in the current or larger organization, larger market environment, or societal environment.

📄 **TERM TO KNOW**

Scope of Change
The degree to which the required change will disrupt current patterns and routines.

Incremental Change
Small refinements in current organizational practices or routines that do not challenge, but rather build on or improve existing aspects and practices within the organization.

Transformational Change

Significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or its structures.

Strategic Change

A change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives.

4b. Level of Change

The **level of change** refers to the breadth of the systems that need to be changed within an organization. **Individual-level change** focuses on how to help employees to improve some aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner. Individual-level change programs include leadership development, training, and performance management. **Group-level change** centers on the relationships between people and usually focuses on helping people to work more effectively together. Team development, or teambuilding, is one of the most common forms of a team change process. **Organization-level change** is a change that affects an entire organizational system or several of its units. Strategic planning and implementation is perhaps the most common type of organization-level change. Higher-level change programs usually require changes at lower levels—an organization-level change may require change at both the team and individual levels as well.

📄 **TERM TO KNOW**

Level of Change

The breadth of the systems that need to be changed within an organization.

Individual-level Change

Focuses on how to help employees to improve some aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner.

Group-level Change

Centers on the relationships between people and focuses on helping people to work more effectively together.

Organization-level Change

Change that affects an entire organizational system or several of its units.

4c. Intentionality

Intentionality is the final dimension of change and refers to the degree to which the change is intentionally designed or purposefully implemented. **Planned change** is an intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end. Planned change processes often involve large groups of people and step-by-step or phase-by-phase activities that unfold over a period of time. Usually, effective leaders identify clear objectives for the change, the specific activities that will achieve those objectives, and the indicators of success.

In contrast, **unplanned change** is unintentional and is usually the result of informal organizing. It may or may not serve the aims of the organization as a whole. Unplanned change may be completely spontaneous, occurring simply because employees in some part of an organization want to initiate change. But sometimes it occurs as a byproduct of a planned change process. This is because it is difficult for leaders to anticipate all the consequences of a planned change effort. Employees react in unpredictable ways, technologies don't work as expected, changes in the marketplace don't happen as expected, or other actors may react in unanticipated ways.

Some change models are designed to take advantage of the potential for spontaneous organizing among employees. Unplanned change can be harnessed as a positive force when employees are invited to be proactive about working toward common organizational goals.

⬚ REFLECT

1. What is organizational change?
2. What are the fundamental dimensions of change?

⬚ TERM TO KNOW

Intentionality

The degree to which the change is intentionally designed or purposefully implemented.

Planned Change

An intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end.

Unplanned Change

An unintentional activity that is usually the result of informal organizing.

⬚ SUMMARY

In this lesson, you learned that organizations are constantly evolving, and therefore effective managers need to be aware of the various factors that drive the need for change and **the importance of being adaptable**. You learned about the different **types of change** in organizations, such as structural change, technological change, and culture change. You also learned about **the organizational life cycle**, which describes the period of time from the beginning to the end of an organization's existence. The organizational life cycle occurs in four predictable phases— entrepreneurship, survival and early success, sustained success or maturity, and renewal or decline— noting that the needs of an organization will evolve over time and different structures are needed at different stages as an organization develops. You learned about **the three fundamental dimensions of change** to consider when assessing the need for change in an organization: the **scope of change**, which can be incremental, transformation, or strategic; the **level of change**, which can be individual-level, group-level, or organization-level; and the **intentionality** of change, involving planned or unplanned change.

Best of luck in your learning!

Source: Access for free at **https://openstax.org/books/principles-management/pages/1-introduction**

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⊟ TERMS TO KNOW

Culture Change
Involves reshaping and reimagining the core identity of the organization.

Differentiation
The process of organizing employees into groups that focus on specific functions in the organization.

Entrepreneurship
The process of designing, launching, and running a new business.

Group-level Change
Centers on the relationships between people and focuses on helping people to work more effectively together.

Incremental Change
Small refinements in current organizational practices or routines that do not challenge, but rather build on or improve existing aspects and practices within the organization.

Individual-level Change
Focuses on how to help employees to improve some active aspect of their performance or the knowledge they need to continue to contribute to the organization in an effective manner.

Intentionality
The degree to which the change is intentionally designed or purposefully implemented.

Level of Change
The breadth of the systems that need to be changed within an organization.

Organization-level Change
Change that affects an entire organizational system or several of its units.

Organizational Life Cycle
Describes the period of time from the beginning to the end of an organization's existence; occurs in four predictable phases.

Planned Change
An intentional activity or set of intentional activities that are designed to create movement toward a specific goal or end.

Scope of Change
The degree to which the required change will disrupt current patterns and routines.

Strategic Change

A change, either incremental or transformational, that helps align an organization's operations with its strategic mission and objectives.

Structural Change

Changes in the overall formal relationships, or the architecture of relationships, within an organization.

Technological Change

Implementation of new technologies that often forces organizations to change.

Transformational Change

Significant shifts in an organizational system that may cause significant disruption to some underlying aspect of the organization, its processes, or its structures.

Unplanned Change

An unintentional activity that is usually the result of informal organizing.