ORGANIZATIONAL CHANGE:

What Is Change?

Organizational Change

- Any alterations in the people, structure, or technology of an organization

Characteristics of Change

- Is constant yet varies in degree and direction
- Produces uncertainty yet is not completely unpredictable
- Creates both threats and opportunities

Managing change is an integral part of every manager's job.

Types of Change

Structural

- Changing the organization's structure or its structural components

Technological

- Adopting new equipment or operating methods that displace old skills and require new ones

Automation

- Replacing certain tasks done by people with machines

Workforce

- Changing attitudes, expectations, perceptions, and behaviors of the workforce

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MANAGING RESISTANCE:

It's often said that most people hate any change that doesn't jingle in their pockets. This resistance to change is well documented.17 Why do people resist change? The main reasons include uncertainty, habit, concern over personal loss, and the belief that the change is not in the organization's best interest.

Uncertainty:

Change replaces the known with uncertainty. No matter how much you may dislike attending college, at least you know what's expected of you. When you leave college for the world of full-time employment, you'll trade the known for the unknown. Employees in organizations are faced with similar uncertainty. For example, when quality control methods based on statistical models are introduced into manufacturing plants, many quality control inspectors have to learn the new methods. Some may fear that they will be unable to do so and may develop a negative attitude toward the change or behave poorly if required to use them.

Out of Habit

Another cause of resistance is that we do things out of habit. Every day when you go to school or work you probably go the same way, if you're like most people. We're creatures of habit. Life is complex enough—we don't want to have to consider the full range of options for the hundreds of decisions we make every day. To cope with this complexity, we rely on habits or programmed responses. But when confronted with change, our tendency to respond in our accustomed ways becomes a source of resistance.

Fear of Losing;

The third cause of resistance is the fear of losing something already possessed. Change threatens the investment you've already made in the status quo. The more that people have invested in the current system, the more they resist change. Why? They fear the loss of status, money, authority, friendships, personal convenience, or other economic benefits that they value. This fear helps explain why older workers tend to resist change more than younger workers. Older employees generally have more invested in the current system and thus have more to lose by changing.

Person's Belief:

A final cause of resistance is a person's belief that the change is incompatible with the goals and interests of the organization. For instance, an employee who believes that a proposed new job procedure will reduce product quality can be expected to resist the change. This type of resistance actually can be beneficial to the organization if expressed in a positive way.

Techniques for Reducing Resistance to Change:

Technique	When Used	Advantage	Disadvantage
Education and Communication	When resistance is due to misinformation	Clear up misunderstandings	May not work when mutual trust and credibility are lacking
Participation	When resisters have the expertise to make a contribution	Increase involvement and acceptance	Time-consuming; has potential for a poor solution
Facilitation and Support	When resisters are fearful and anxiety ridden	Can facilitate needed adjustments	Expensive; no guarantee of success

Negotiation	When resistance comes from a powerful group	Can "buy" commitment	Potentially high cost; opens doors for others to apply pressure too
Manipulation and Co-optation	When a powerful group's endorsement is needed	Inexpensive, easy way to gain support	Can backfire, causing change agent to lose credibility
Coercion	When a powerful group's endorsement is needed	Inexpensive, easy way to gain support	May be illegal; may undermine change agent's credibility

Participation involves bringing those individuals directly affected by the proposed change into the decision-making process. Their participation allows these individuals to express their feelings, increase the quality of the process, and increase employee commitment to the final decision.

Facilitation and support involve helping employees deal with the fear and anxiety associated with the change effort. This help may include employee counseling, therapy, new skills training, or a short paid leave of absence.
Negotiation involves exchanging something of value for an agreement to lessen the resistance to the change effort. This resistance technique may be quite useful when the resistance comes from a powerful source

Manipulation and co-optation refer to covert attempts to influence others about the change. It may involve distorting facts to make the change appear more attractive. Finally, coercion can be used to deal with resistance to change. Coercion involves the use of direct threats or force against the resisters.

ENVIRONMENTAL SCANNING:

Assessing the Environment

Environmental Scanning

- The screening of large amounts of information to anticipate and interpret change in the environment.
- Competitor Intelligence
  - The process by which organizations gather information about their competitors
    - Who they are?; what are they doing?
  - Is not spying but rather careful attention to readily accessible information from employees, customers, suppliers, the Internet, and competitors themselves.
  - May involved ***reverse engineering*** of competing products to discover technical innovations.

Assessing the Environment (cont'd)

Environmental Scanning (cont'd)

- Global Scanning
  - Screening a broad scope of information on global forces that might affect the organization.
  - Has value to firms with significant global interests.
  - Draws information from sources that provide global perspectives on world-wide issues and opportunities.

Assessing the Environment (cont’d)

Forecasting

- The part of organizational planning that involves creating predictions of outcomes based on information gathered by environmental scanning.
  - Facilitates managerial decision making.
  - Is most accurate in stable environments.

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Assessing the Environment (cont’d)

Types of Forecasting

- Quantitative forecasting
  - Applying a set of mathematical rules to a series of hard data to predict outcomes (e.g., units to be produced).
- Qualitative forecasting
  - Using expert judgments and opinions to predict less than precise outcomes (e.g., direction of the economy).

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TECHNIQUES FOR ALLOCATING RESOURCES:

A resource is any factor that's necessary to accomplish a goal or carry out an activity. In short, they are **the components that a business needs in order to do business**. Resources often include employees, working space, equipment, or capital.

Allocating Resources

Types of Resources

- The assets of the organization
  - **Financial:** debt, equity, and retained earnings
  - **Physical:** buildings, equipment, and raw materials
  - **Human:** experiences, skills, knowledge, and competencies
  - **Intangible:** brand names, patents, reputation, trademarks, copyrights, and databases
  - **Structural/cultural:** history, culture, work systems, working relationships, trust, and policies

Allocating Resources: Budgeting

Budgets

- Numerical plans for allocating resources (e.g., revenues, expenses, and capital expenditures).
  - Used to improve time, space, and use of material resources.
  - Are the most commonly used and most widely applicable planning technique for organizations.

Allocating Resources: Scheduling

Schedules

- Plans that allocate resources by detailing what activities have to be done, the order in which they are to be completed, who is to do each, and when they are to be completed.
- Represent the coordination of various activities.

Allocating Resources: Charting

Gantt Chart

- A bar graph with time on the horizontal axis and activities to be accomplished on the vertical axis.
- Shows the expected and actual progress of various tasks.

Load Chart

- A modified Gantt chart that lists entire departments or specific resources on the vertical axis.
- Allows managers to plan and control capacity utilization.

Allocating Resources: Analysis

Program Evaluation and Review Technique (PERT)

- **A flow chart diagram that depicts the sequence of activities needed to complete a project and the time or costs associated with each activity.**
  - **Events: Endpoints for completion**
  - **Activities: time require for each activity**
  - **Slack time: The time that a completed activity waits for another activity to finish so that they can begin jointly on another activity**
  - **Critical path: the longest path of activities that allows all tasks to be completed,**

Allocating Resources: Analysis (cont'd)

Breakeven Analysis

- Is used to determine the point at which all fixed costs have been recovered and profitability begins.
- Fixed cost (FC)
- Variable costs (VC)
- Total Fixed Costs (TFC)
- Price (P)

The Break-even Formula:

$$Breakeven: \frac{Total\ Fixed\ Costs}{Unit\ Price - Unit\ Variable\ Costs}$$

Allocating Resources: Analysis (cont'd)

Linear Programming

- A technique that seeks to solve resource allocation problems using the proportional relationships between two variables.

MANAGEMENT BY OBJECTIVES:

- The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims.
- The complete MBO system is to get managers and empowered employees acting to implement and achieve their plans, which automatically achieve those of the organization.

MBO Strategy: Three Basic Parts

- All individuals within an organization are assigned a special set of objectives that they try to reach during a normal operating period.
- Performance reviews are conducted periodically to determine how close individuals are to attaining their objectives.
- Rewards are given to individuals on the basis of how close they come to reaching their goals.

Principles of MBO

- Cascading of organizational vision, goals and objectives
- Specific objectives for each member
- Participative decision making
- Explicit time period
- Performance evaluation and feedback

Steps in MBO:

1.The organization’s overall objectives and strategies are formulated.

2. Major objectives are allocated among divisional and departmental units.

3. Unit managers collaboratively set specific objectives for their units with their managers.

4. Specific objectives are collaboratively set with all department members.

5. Action plans, defining how objectives are to be achieved, are specified and agreed upon by managers and employees.

6. The action plans are implemented.

7. Progress toward objectives is periodically reviewed, and feedback is provided.

8. Successful achievement of objectives is reinforced by performance-based rewards.

STEPS IN GOAL SETTING:

1.**Review the organization’s mission or purpose:** A mission is a broad statement of an organization’s purpose that provides an overall guide to what organizational members think is important. Managers should review the mission before writing goals because goals should reflect that mission.

2. **Evaluate available resources**: You don’t want to set goals that are impossible to achieve given your available resources. Even though goals should be challenging, they should be realistic. After all, if the resources you have to work with won’t allow you to achieve a goal no matter how hard you try or how much effort is exerted, you shouldn’t set that goal. That would be like the person with a $50,000 annual income and no other financial resources setting a goal of building an investment portfolio worth $1 million in three years. No matter how hard he or she works at it, it’s not going to happen.

3. **Determine the goals individually**: The goals reflect desired outcomes and should be congruent with the organizational mission and goals in other organizational areas. These goals should be measurable, specific, and include a time frame for accomplishment.

4. Write down the goals and communicate them to all who need to know. Writing down and communicating goals forces people to think them through. The written goals also become visible evidence of the importance of working toward something.

5. Review results and whether goals are being met. If goals aren't being met, change them as needed.

STEPS FOR DECISION MAKING:

Step 1: Identifying a Problem
Step 2: Identifying Decision Criteria
Step 3: Allocating Weights to the Criteria
Step 4: Developing Alternatives
Step 5: Analyzing Alternatives
Step 6: Selecting an Alternative
Step 7: Implementing the Alternative
Step 8: Evaluating Decision Effectiveness

DECISION MAKING BIASES:

1. Overconfidence Bias: The tendency for a person to overestimate their abilities.

2. Immediate Gratification: Decision-makers who tend to want immediate rewards.

3. Anchoring Effect: To rely too heavily on the first piece of information.

4. Selective Perception: Interpret information in a way that is congruent with our existing values and beliefs.

5. Confirmation: Favoring information that confirms your previously existing beliefs.

6. Framing: When our decisions are influenced by the way information is presented.

7. Availability: To rely unreasonably upon the most readily available data.

8. Representation: When a decision maker wrongly compares two situations

9. Randomness: When managers try to create meaning out of random events based on false information or superstition.

10. Sunk Costs: Making decisions that are irrational and lead to poor outcomes.

11. Self Serving: Habit of a person taking credit for positive events or outcomes, but blaming outside factors for negative events.

12. Hindsight: To overestimate one's ability to have foreseen the outcome.

TYPES OF PLANS:

Strategic Plans: They are the plans applied to the entire organization and establishing the organization's overall goal.

Operational Plans: Plans that bound the operational area of the organization are called operational plans.

Long term Plans: Plans with a time frame beyond three years.

Short-term Plans: Plans covering one year or less.

Specific Plans: Plans that are clearly defined and leave no room for interpretation.

Directional Plans: Plans that are flexible and set out general guidelines.

Single use Plans: A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation.

Standing Plans: Standing plans are ongoing plans that provide guidance for activities performed repeatedly. Standing plans include policies, rules, and procedures.

PROJECT MANAGEMENT:

Project management is the application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria within agreed parameters. It is the process of managing a project which requires the application of planning, team-building, communicating, controlling, decision-making and closing skills, principles, tools and techniques.

the five phases of project management include **conception and initiation, planning, execution, performance/monitoring, and project close**.