

ORGANIZATIONAL CHANGE AND DEVELOPMENT



LEARNING OBJECTIVES

After comprehensive study of this chapter, you will be able to:

- understand the concept of change
- identify the forces of change
- describe the resistance to change
- understand the concept of organizational development
- describe the characteristics of organizational development (OD),
- know the OD values
- describe the OD interventions at individual, group and organizational level.

CONCEPT OF CHANGE

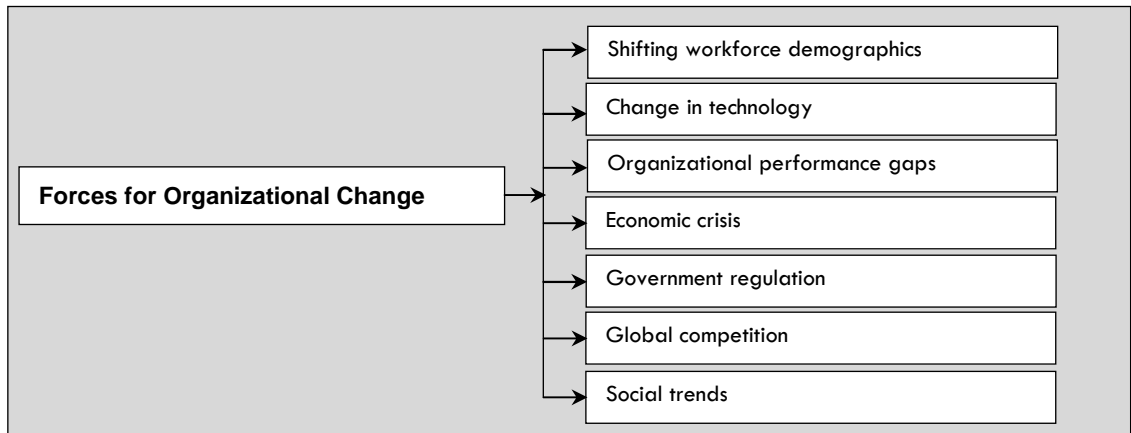
In general words, change is a shift from one state to another state. In the dynamic business world, none of the organizations can sustain competitively with the same products and with same level of product benefits to the customers. Based on market needs i.e. competitors actions and changing expectations of the customers, organizations should to change their status quo to maintain their competitive strengths and extend their market share. Business environment is dynamic. Level of competition, changing workforce characteristics, technological change, changing preferences of consumers, shifts in political-legal forces, and the national, regional and global economic shocks are major forces making business environment more dynamic, complex and uncertain. Such dynamism, complexity and uncertainties have forced business organizations to choose one of the *change or disappear* management philosophy.

The Darwinian notion i.e. survival of the fittest, is being more realistic in today's business world. To survive, grow and sustain the business, managers must work hard to create new ideas, procedures and products. For this, organizations should adapt several changes in their structures, technology and people. Change is not overnight success of any company. It takes series of improvements, so the change is the continuous process. Change is one of the difficult process in the organization which incurs a significant cost and many people involved in the organization may not accept the change naturally. There can be three types of response towards change as defiance, compliance and alliance. Defiance response is to reject the change, compliance is to accept change because of management request or just feeling of being a member of the organization while alliance is to support the change. Different concepts being used to understand organizational change are summarized below.

Concept	Explanation
The learning organization	The notion that learning is central to success and effectiveness. Management must learn to see the 'big picture' and understand subtle relationship among parts of the system.
Reengineering	A fundamental rethinking and redesign of systems and processes. Work should be organized around outcomes, not tasks or functions.
Core competencies	The notion that companies need to identify and organize around what they do best. Strategy should be based on these core competencies rather than products or markets.
Organizational architecture	The idea that managers need to think broadly about the organization in terms of how work, people, and designs fit together.
Time-based competition	The notion that time is money. Time is manageable and can be a source of competitive advantage affecting productivity, quality, and innovation.
Growth strategies	Methods to lift profits by expanding revenues, not just cutting costs.
Mission and vision statements	Description of what the company will become and how it will get there.
Strategic alliances	Ways to create business partnerships among customers, suppliers, and even competitions.

FORCES OF ORGANIZATIONAL CHANGE

Organizations have no choice of adapting change to sustain any organization in the dynamic business environment. Various reasons cause to changes in the organization as some of the reasons can be internal while some of others can be external. Here, the factors or the reasons for change are called forces of organizational change. Some of the major forces are described below.



1. **Shifting workforce demographics:** Workforce is the major force to bring changes in organization. Organizations need to hire different types of workforces in terms of skills, gender, socio-economic background, age and personal interest and choice. With the increasing pace of globalization, organizations must cope with changes in multicultural work-environment, demographic changes, immigration, and outsourcing. In recent years, human relations in many organizations are greatly changed with shifts in workforce demographics. Diversity management, conflict management and stress management are the newly added programs under the human resource relations management. Which such shifts in workforce demographics, many organizations are experiencing changes in culture, norms and values.
2. **Change in technology:** Technology causes changes in the working system of any organization. Advanced technology reduces the need of human efforts in the work so that organizations attain greater productivity and profitability. All the organizations are affected by changing technology at the different levels. Organizations wish to be leading organization in technological change. At least, they wish to adopt new technology to increase their productivity and profitability. Technology changes the nature of job responsibility, skills requirement and job standard. Most of the employees reject technological change in technology because of the fear of losing job and need to improve the skills essential for new technology. Management of the organization need to work hard to convince employees for adapting change, organizing training and development, and managing capital for investment in technology.
3. **Organizational performance gaps:** Organizational performance gap is the difference between expected level of performance and actual performance of the organization. Problem in operating product line, decreasing sales, increasing employee turnover, decreasing profit margin and decreasing productivity can be well known gaps in organizational performance. Every organization wish to continue the profitable projects while wish to change or discontinue if there is some problem realized in the performance. In order to cope with such gaps in performance, organizational changes are the must. Those organizations which adapt quick change in response to performance gaps are found most successful.
4. **Economic crisis:** Economic crisis is one of the major forces for organizational change. In the economic crisis, organizations can not operate their business activities which have financial limitation. Organizations may sale their properties to collect means to investment and maintain regular operations. Many organizations like real estate companies, banks and financial institutions, manufacturing industries and service oriented organizations faced great shock after the economic recession 2008 spread from USA. In response to Covid-19 pandemic, many small and medium size organizations have started facing financial crisis which may lead for serious problems in their survival and growth. In such situations, organization may eliminate their existence, become bankrupt, compel to sale property, or need to merge with other organizations. Economic crisis may create changes in the profitability position, technology, and market share. Such changes force the organizations to reduce their employees, may need to limit their operations, and need to change in objectives and goals.

5. **Government regulation:** Government regulates the business organizations in business operations, quality and price, and regulates for social responsibilities. As on requirement, government initiates new rules and regulations for the business organizations. Business organizations must follow such regulations. Government regulation is the force to unplanned organizational change. In Nepal, vehicle failed to get green sticker (test pass for non-emission of greenhouse gases) are restricted to drive in Kathmandu city; monetary policy of government compels banks and financial institutions to increase paid-up capital within certain time; manufacturing industries producing greenhouse gases and harmful chemicals need to shift from community area; and employers need to maintain minimum pays to their employees according to government rules are some representative examples of government regulations which must be fulfilled by the organization. To cope with such regulations, to follow such regulations, organizations must adapt change.
6. **Global competition:** Growing concern of business organizations to be global has increased the level of competition in the market. Almost in each new day, more attractive and quality products at cheaper price are introducing in the market. Global business organizations are developing circumstances to make the markets open for all the products through reducing different types of barriers. Naturally, the customers prefer the best quality products at the reasonable price and comfortable area. Thus, organizations must work harder to maintain the market share and sales revenue. Organizations can maintain their market share just by following the changes. Organizations are changing themselves as learning organizations. They are adapting flat and flexible organizational structure. We have many visual examples of global competition as Nokia has greatly suffered by the global competition; many large manufacturers in automobiles are decreasing market share and profitability; mobile companies are forced to launch the new models with additional features in minimum possible time; and the telecommunication companies and aviation companies face throat-cut competition, and similar situation is there in aviation companies. Organizations must adapt change for long term survival and growth.
7. **Social trends:** Social trends are ever dynamic in nature. Such trends help to build perception towards product and producers. Customers share information and experiences which may create positive or negative influence to others. The immediate reaction of consumers affects the marketability of the products. Social trends may create acceptance or rejection of any existing and new products in the market. Thus, organizations need to understand changing social trends. They must plan to change or adjust their goods and services as per demand of the society. Consumers are more sensitive towards the environmental protection, violation of human rights and animal rights, show liberal attitudes towards transgender employees, and more fancy products which make them a trend. Such forces also play important role in organizational changes.

PARADIGM SHIFT AND AREAS OF ORGANIZATIONAL CHANGE PROCESS

Change is inevitable for sustainable progress. The issue is that some organizations adopt change very fast while some organizations response to it slowly. It is most important to understand the basic areas of change process and follow. Organizational change process focuses in the following three major areas.

1. **Change in organizational structure:** To cope with the changes in business environment, organizations may need to change or modify the existing organizational structure. Through the structural change, organizations change roles, responsibilities and authority level, span of control and communication networks in the organization. For example, organizations with centralized decision making can be follow decentralized decision making approach. At the same time, structural changes make the job structures simple with the provision of written policies, job responsibilities and working procedures.
2. **Changes in technology:** Technology is the set of tools, techniques and procedures to follow to accomplish the jobs. Machine, information, procedures, means of communication and level of technology are such things which affect the effectiveness and efficiency of any organization. Thus, for improving effectiveness, efficiency and productivity, organizations need to advance their technology. With advanced technology, organizations can reduce wastages, increase the productivity and market shares for sustainable growth. Computer based robotic technology has changed the job at the great extent for uniform and quick decisions making, as well as quality goods and services. Many

organizations nowadays, are adopting decision making software and robotics to make utmost best decisions, to make the jobs easier, and to increase productivity, efficiency and effectiveness. Along with changes in the technology, organizations should upgrade the skills and knowledge of their employees essential to new technology.

3. **Change in people:** The next area of organizational change can be the changes in people associated with the organization and its business process. It is the way to change in thinking process, attitude and behavior of people towards the organization, their jobs and the customers. For example, instead of trying solving the mechanical problem by each employee, they need to change their behavior of reporting to supervisor. Keeping suggestion box in the organization may help to initiate improvements in faulty system or procedures. Similarly, we can put printed request to the riders *not to lock the handle of their motorcycle* inside the organization, asking guest in hotel rooms *to switch off the light* not in use. All such things are obviously not easy but they bring certain change in working process, cost minimization of process, service delivery and efficiency.

PLANNED AND UNPLANNED CHANGE

Organizations adapt changes in the business environment with its own plans and sometimes encounter with unexpected forces to change. In this way, change can be planned and unplanned.

1. **Planned change:** Planned changes are intentional or wishful changes of the organization management. Management of organization does not want to keep organization in its status quo and hence it plans various changes in working procedure, marketing plans, technology, and even in its objectives and goals. Training and development activities are initiated to make their employees positive for change. Such changes are well identified and do not affect in attitude and behavior of employees at short run. Such changes can be managed easily as the managers can observe the general attitude of employee and manage accordingly. Organizations can fix magnitude and direction of the planned changes.
2. **Unplanned changes:** Unplanned changes are unexpected and forceful changes that the organizations are compelled to adopt. Such plans are normally not wishful and easily acceptable in the organization. External forces like legal compliances, intense market competition, changes in technology, economic crisis, political shift and natural catastrophes act as the agents to unplanned changes. Unplanned changes are beyond the control of organizations. Management of the organization has no choice for such changes, they have to accept such changes unconditionally.

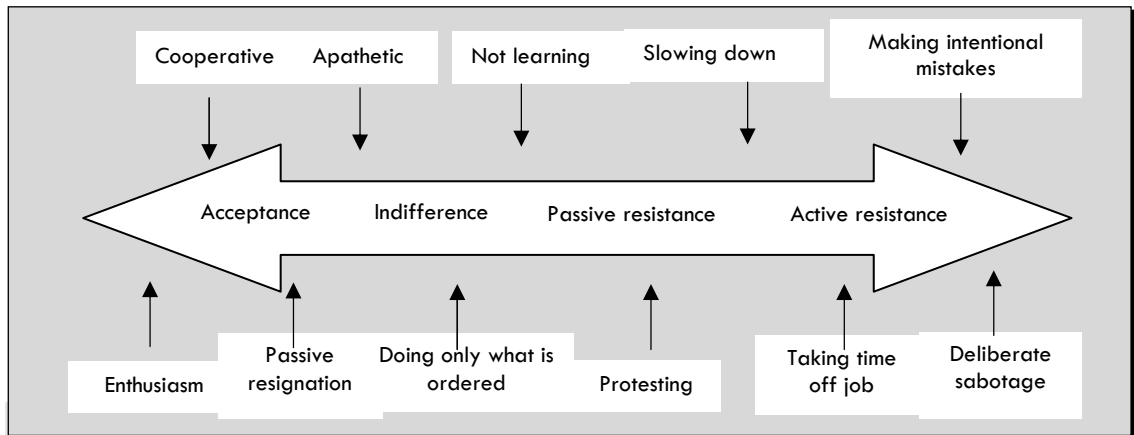
RESISTANCE TO CHANGE

Majority of the people reject the change without analyzing the impact of change whether it is essential and will be beneficial. Because of the fragile ego of human being, change is normally taken as threatening. Such normal tendency of employees refusing or rejecting the change creates challenges in the implementation of change programs in the organization. The tendency or the human behavior rejecting the change initiations in the organization is called resistance to change.

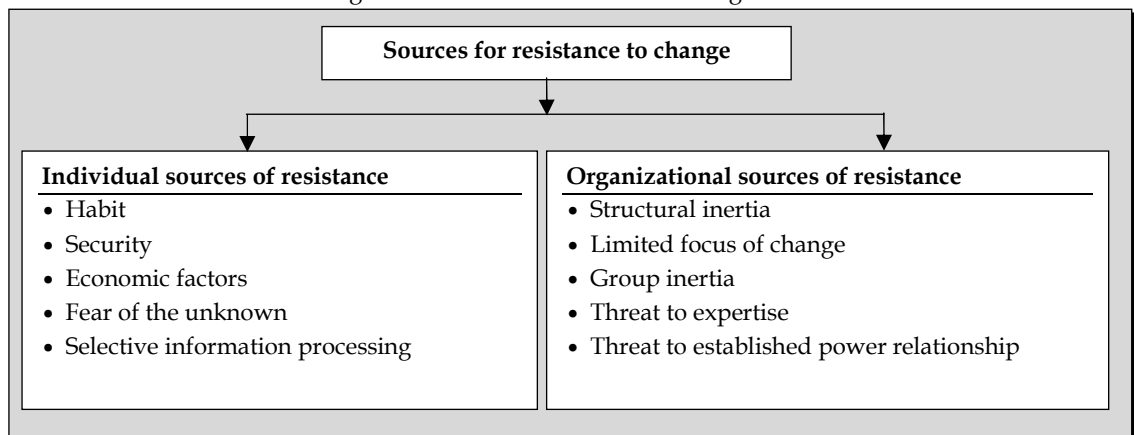
Resistance to change is the negative or opposing force to bring changes in organization. The strength of refusing change is high, there will be the great chance of dysfunctional conflict. But, the resistance to change within the open communication system can foster the quality of decisions as it helps to create new ideas and the options of change modality, change speed and change target priorities.

Resistance can be overt, and covert. Overt resistance is the observable resistance as the employees show their resistivity at work openly like complaints against the change, slowdown working speed and intention, threaten of strike. Such resistance is comparatively easy to deal as the managers can easily observe the resistance in action. Covert resistance which are implicit and deferred in nature are not expressed immediately. Such behaviors cannot be observed easily and become more complex to manage. Employees normally lose their loyalty; they generally express their covert resistance through increasing tardiness and absenteeism, demanding transfer, loss of job motivation, low morale, higher accident or error rates, intimidate to others, and resignations.

Employees' reaction to organizational change can range from acceptance to the active resistance. Following figure provides the specific reaction flow of employees along with different activity expressions towards the change.



Resistance to change is simply the antagonistic behavior of employees towards any change in the organization. There can be various reasons i.e. forces for the resistance to change. Such factors can broadly be classified into two broad categories i.e. individual sources and organizational sources.



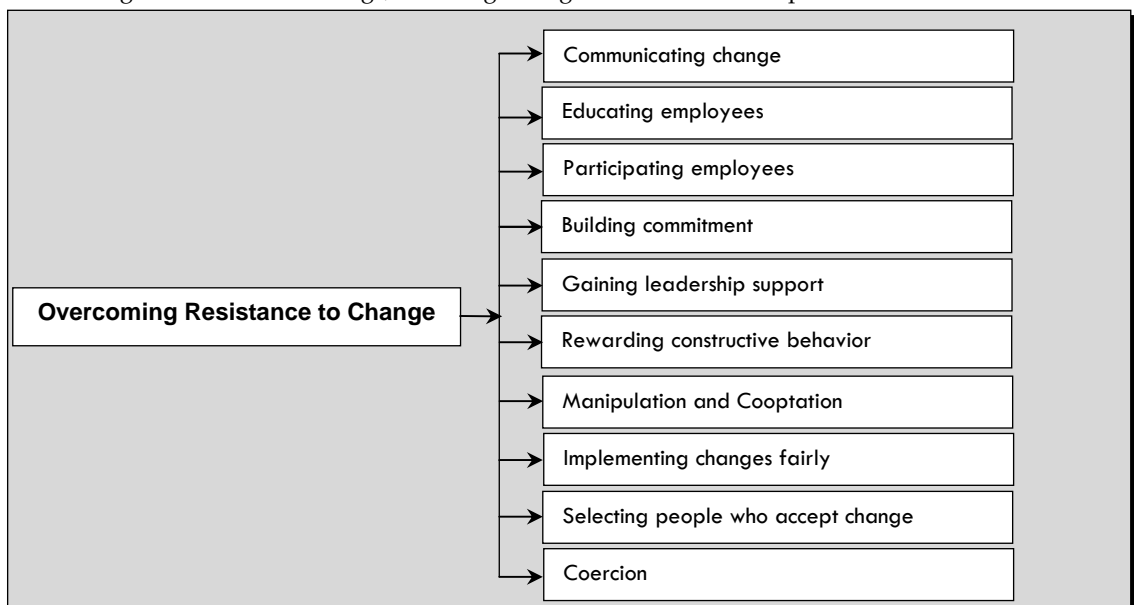
1. **Individual sources for resistance to change:** Individual concerns, qualities, interest and the goals are the major personal factors for resistance to change. Such factors may have low influence to the other employees working in the organization.
 - a. **Habit:** Most of us feel the jobs in regular practice more comfortable and easy to accomplish. New jobs require new skills and knowledge for which employees need to learn more for which most of the people do not show their willingness. Learning new skills and knowledge for new job, new technology or the new reporting system becomes source of resistance to change. This means, because of habit of doing easy jobs, individual resists organizational change.
 - b. **Security:** Job security is one of the most important concern of each employee. Employees feel threaten of physical security, social security and job security with changes in the organization. They do not want physical hazards, lose friendship bonds at job by new job, and do not want to lose the job because of any change initiation in the organization. Thus, strong need of security become one of the sources for resistance to change.
 - c. **Economic factors:** People think that if they cannot perform well at the new job responsibility or with new technology, they have to quit the job. Employees may think that their pay may be reduced because of their lower performance because of change initiations in the organization. They may think that the consequences of change may be serious economic threat for their livelihood. Thus, because of the fear of economic insecurity, individual resist for change.

- d. **Fear of unknown:** At the current job, employees derive a sense of security as they know working procedures, their coworkers, and the supervisors. They do not want to disrupt such comfortable situation for new and unknown working environment. They feel fear of adjustment in completely new working situation, new coworkers and new supervisors to whom they should be accountable for. At the same time, employees may fear of unknown of skills essential to accomplish the job after the changes. This creates resistivity towards the organizational change.
 - e. **Selective information processing:** By nature, majority people tend to start thinking from negative angle because of limited information or personalized focus. Because of such limited information and focus, they develop perception based on their way regarding the consequences of changes. They do not want to listen others regarding the truth or the others' version regarding change. Behavior of individual based on selective information processing prevent them from considering positive side of organizational change. They really do not know at what extent the change will benefit to organization and the employees. They resist change thinking that change does not benefit to them.
2. **Organizational sources for resistance to change:** Organizational factors also cause to resist changes in organization. Following factors are the common organizational sources for resistance to change.
- a. **Structural inertia:** Organizations are built for stability. They formulate rules, regulations, working procedures, and responsibility-authority relationship for executing plans to attain organizational goals. Organizations select employees based on set procedures and performance-reward system. All of these things may encourage the organization to work in a mechanistic approach. When such organizations confront with certain changes, such provisions counterbalance. They do not wish to change the working procedures and follow the established structure, which is called the structural inertia. Because of structural inertia, especially the top level managers show their unwillingness for change, causes resistance in initiating and implementing changes.
 - b. **Limited focus of change:** Organization is the integration of many sub-systems because of which organization becomes a complete system. Change in one sub-system may influence on the other sub-systems too but positive impact in one sub-system can be nullified by the effect on the others sub-systems. This minimizes the real benefits of change in organizational system. Change in one sub-system should be fit to other remaining sub-systems too with possibly least negative effects. The change should work with the same spirit to whole organizational system. If the management has limited focus of change either in area or in terms of positive effects, change can be rejected from majority people. Thus, lack of wide and comprehensive focus, change initiation gets resistance.
 - c. **Group inertia:** Group inertia is the tendency of work forces which encourages employees to perform their jobs in certain ways, thereby making them resistant to change. Work-groups develop certain norms and values knowingly or unknowingly. Such group norms and values also resist the change. For instance, if management brings in a specialist in organizational structure from outside organization, employee union may reject. Group inertia is more powerful resistance to change in organization.
 - d. **Threat to expertise:** Changes demand on improvement on expertise of employees and managers too. Specially, many managers fear of getting new level of expertise required as per change. They afraid of demotion, transfer, and technological unemployment as a consequence of change. For instance, managers oppose decentralization, direct communication, and excess to management information system. Because of such fear, organizational change becomes impossible.
 - e. **Threat to established power relationship:** Organizational change in many cases make the existing responsibility-authority relationship useless. After implementing change, existing expertise may need to change along with change in responsibility and authority. Change may cause differences in existing participative management for making decisions, team based project management work system, open organizational communication, and performance-based reward system which may not be accepted to the existing management. Established authority does not want to lose the control over resources as well as decision making authority. This creates resistivity for organizational change.

Recognizing and responding to people who resist change	
It generally is not difficult to identify employees who are most resistant to change. Here are some statements that reflect an underlying resistance to change and some guidelines for responding to them.	
When they say...	You should counter by saying...
That seems risky...	Yes, but the risk is worth taking. After all, it is even riskier to do nothing.
Let's get back to basics...	The world has changed so much that what once seemed appropriate because it was 'basic' no longer works today.
It worked in the past...	May be so, but as conditions have changed, so there is reason to consider a new approach.
Things are okay as they are...	Possibly, but unless we take action, things are unlikely to be okay in the future.
I don't see any threat...	There's always threat. Just because you don't see any compelling threat doesn't mean that one doesn't exist.
That's not our core competence...	Just because a particular area used to be an organization's core competence doesn't mean that it should stay that way.
The numbers don't work...	In the new internet-based economy, new rules of accounting may be considered.
Once we start down that road, we can never go back...	Don't be afraid of relinquishing control. Anything that doesn't work can be stopped.
There will be unforeseen consequences...	This is always the case. In fact, that is precisely why it is necessary to consider making changes.
<i>(Adapted from Kotter, J.P. (1995).</i>	

OVERCOMING RESISTANCE TO CHANGE

Change is inevitable for sustaining and continuous growth of organization in the global competition. But, it is not easy task to overcome the resistance to change as resistivity may be developed because of individual as well as organizational level. Managers should be sensitive to the barriers of change so that they can be solved at right time which helps to implement the change without any disturbances. For identification and overcoming the resistance to change, following strategies need to follow as per the situational demand.



1. **Communicating change:** Many people involved in the organization may not estimate the benefits or the positive consequences of change. Some of them may perceive change causes loss of job, reduction in income, or need to learn new skills and knowledge. Specially, in the lack of communication, employees may develop attitude to refuge the change. Thus, managers need to communicate with employees about the positive consequences of the change in an advance. Communication helps to reduce the effect of misunderstanding regarding change and anxiety of employees. It becomes helpful to *sell the idea* for need of change.

2. **Educating employees:** People often resist change because they think that change can create uncertainty in the future. Employees may have fear of economic security, job loss, and need of new skills and knowledge. Top management must be positive to plan and initiate programs to educate employees for imparting skills and knowledge essential for organizational change. Education to the employees helps to minimize the fear of unknown and loss of their jobs caused by changes.
3. **Employees' participation:** Participation of employees personally or with their representatives in change planning process helps to make them positive for change. Hence, employees accept the change in organizations. Participated employees make remarkable contribution and show their commitments for meaningful implementation. They will be morally liable to implement the change. They understand and anticipate the benefits of change. They also suggest their solutions for making change programs most feasible. They also take accountability of change implementation and hence convince their coworkers to accept change. Thus, employee participation is the most significant technique for overcoming resistance to change.
4. **Building commitment:** Building commitment to support the employees is another emotional backup to overcome the resistance to change. Managers and the employees having low emotional commitment to change prefer to follow existing system i.e. the status quo and resist change. Employees who are committed to the organization can be supportive for implementing change processes. Thus, by building organizational commitment and support for initiation for change from employees, managers can overcome the resistivity to change more effectively.
5. **Gaining leadership support:** For the change to be accepted by every employee in the organization, it is necessary to win the support of the most powerful and influential people in the organization. Managers must get the favor of key personalities holding different responsibilities. Such personalities become the change agent in organization if we get their commitment. Many research studies have suggested that if managers are able to facilitate positive relationships, they may be able to overcome resistance to change even among those who ordinarily don't like change.
6. **Rewarding constructive behavior:** While implementing the change, we must change the behavior of people around it. Constructive behavior of people plays vital role to make the change success process. Constructive behavior of employees dominates the resisting behavior of other people too. Thus, organization should establish the reward system based on the constructive behavior towards the organizational change. Rewarding the constructive behavior is critical while the organization is in transition period of initiating change.
7. **Manipulation and cooptation:** Manipulation is conscious exaggeration of facts to make them more attractive, withholding information, and creating false rumors to increase the positive consequences of change among employees. Cooptation is the technique of participating key personalities from resisting group in key responsibility after change. For instances, an employee can be participated in change evaluation committee because of whose participation in committee, other employees can perceive positive towards the change. Both manipulation and cooptation are relatively less expensive techniques to get support from resisting group but can be more expensive if they are more aware about the technique.
8. **Implementing changes fairly:** By applying fair implementation of change in the organization, we can minimize negative impact. Incase if employees perceive the outcome of change negatively, managers need to follow the procedural fairness. Procedural fairness helps to change the negative perception into positive and hence, employees accept change comfortably.
9. **Selecting people who accept change:** Personality and attitude play significant role to make employees positive towards change. Employees with positive attitude accept change more easily. Positive employees become open to share their experiences, willing to bear risk and become more flexible for their behavior. Managers need to search such employees and select them as the change agents. Many research works have suggested that teams with strongly motivated by learning about and mastering tasks are better able to adapt to changing environments. Thus, to overcome the potential resistance to change by employees in organization, managers need to select people with positive attitude and personality to form well motivated teams.
10. **Coercion:** Coercion is the technique in which change is implemented forcefully even employees resist the change. Employees are given choice either they have to accept the change or be ready quit the job. This tactic is applied if all other tactics have not worked to overcome the resistance. More common threatens during coercion are pay cut, transfer, suspension, demotion, and termination. But, the managers must be aware of the negative consequences of coercion.

CONCEPT OF ORGANIZATIONAL DEVELOPMENT (OD)

Organizational development can be defined as a comprehensive set of techniques designed to plan and implement the change in organizations for enhancing personal development of individuals and improving the effectiveness of organization. OD is the concept regarding strategies or the approaches for managing planned change in the organization. This enables the long-term effort of organization to improve its vision, empowerment, learning and problem-solving processes.

OD improves the working environment for implementing change by ensuring employees' well-being. This helps to improve the organizational performance and effectiveness along with overall progress of employees. In OD concept, changes are intentional and directional with the strong commitment of management and employees' support. OD is a method for facilitating change in organization along with solving the human and social problems.

CHARACTERISTICS OF ORGANIZATIONAL DEVELOPMENT (OD)

Organizational development (OD) is the strategic approach to solve human and organizational problems for enhancing the effectiveness to plan and implement change. OD is the long-term program for effectiveness of the planned change. It possess the following features.

1. **Planned:** Organizational development is planned and intentional development activities to manage change. Management ensures the well-being of employees with implementing the change. The outputs of the change activities are predetermined and action plans are prepared accordingly.
2. **Long-term:** OD is the continuous and long-term effort as its aims cannot be attained at short run. At the first, change agents set the long-term horizons and then the other organizational members are convinced to the change. After communicating and convincing the people for change, action plans are prepared and implemented. It may take years to attain the change goals.
3. **System-wide:** OD is initiated throughout the organization. It covers all the systems and sub-systems so that its positive effects spread throughout the organization uniformly. Change in only one area cannot be effective in overall organizational effectiveness. This is not to mean that change is initiated in all the systems and sub-systems, it can be gradually implemented, but all the systems and sub-systems must be incorporated in change process.
4. **Top management led:** Under this concept, change is initiated from top level. Top level managers lead the OD movement. Without strong commitment and leadership of top leaders, change process cannot be sustainable and effective. As the top leaders need to plan, communicate and coordinate the change initiatives in the organizations, without their leadership, no organizational change can be imagined.
5. **Visioning process:** OD is a visioning process. It requires creative vision, ideas and future state of progress. Change agents should be able to design the new plans, policies and strategies to get new performance level, technology, processes and working procedures.
6. **Empowerment process:** OD won't be possible without the participation of employees. They must be committed to use their competencies in the change process. For this, employees need to be autonomous for making decisions. Thus, employees must be empowered through involving in decision making process. Their creative ideas must be recognized and encouraged to be more innovative.
7. **Learning process:** OD requires a learning organization. Employees need to learn new knowledge, skills and procedures. They have to change attitudes and accept continuous improvement in knowledge. OD enables employees to accept change with acquiring new knowledge. Organization should invest in the human resource development.
8. **Problem-solving process:** OD is problem-solving process as it is initiated problem related to status-quo. To break the technology hindering the progress, to change system constraining the productivity and productivity, OD is designed.
9. **Collaborative culture:** OD maintains collaborative culture as the change is not possible through the effort of individual employee, manager or unit or department. OD is the essence of cooperative culture in which each member of organization pays effort for common objective. With motivated employees for change, each member realizes the team member which enjoys the benefit of membership. This promotes the performance-oriented work culture.

10. **Team work:** OD encourages employees working in teams. To create new idea, skills, procedure and technique, joint effort in team plays vital role as building blocks of organization. Thus, team effort is essential for effective organizational development programs.
11. **Consultant facilitator:** Accepting change is quite easy in the organization but managing change is the most complex in general. Thus, to manage change programs more effectively, organization can get consultant facility from outside experts. They facilitate planning, executing and managing change.
12. **Behavioral interventions:** OD aims to intervene the behavior of employees as well as top management against resistivity to change. They become positive and ever ready for accepting any type of changes in responsibility-authority structure, technology, and way of doing things. OD makes people working for newness with changing their behavior.
13. **Action research:** OD are initiated to solve problems with new visions and ideas. To identify the prominent problems and priority areas, action research are required to conduct. Thus, action research is the back bone in OD interventions.
14. **Focus:** OD focuses on human and social relationships. It becomes successful only when harmonious relationship in the organization. With proper focus and intensity to solve the problems, OD programs become success.

ORGANIZATIONAL DEVELOPMENT (OD) VALUES

Organizational change aims for overall change in organization. It is implemented with collaborative effort of top management and employees from each department and units. OD is based on certain morals, principles and verdicts. Verdicts or convictions are about *what is desirable and what is not* in organizational development which provide guidelines for OD implementation. Humanistic-democratic values are the underlying values of OD. Most common value of organizational development are described below.

1. **Respect for people:** OD creates harmonious human relations in the organization so that there will be mutual respect and honor. This helps to feel dignity and self-respect. Individual perceive themselves as responsible, conscientious and caring. This improves team work.
2. **Trust and Support:** OD creates mutual trust, openness and supportive environment in the organization so that each individual gets and provides suggestion in need. They will support to each other to attain goals of change. Peoples are encouraged for optimistic values.
3. **Power equalization:** Effective OD emphasizes in power sharing for employee empowerment. Employees are made autonomous for making decisions regarding change. Vertical hierarchy is flattened to decentralized decision making. Concepts like control and coercion are least emphasized instead of these, democratic values are practiced in organization. This helps to equalize the power.
4. **Confrontation:** Under the OD process, problems are openly and willingly confronted i.e. faced in the organization. Action researches are conducted to identify problem in real sense. Problems are openly accepted but not skip or overlooked.
5. **Participation:** OD becomes possible with collaborative approach. Team efforts are encouraged to implement change. For this, each member of the organization is encouraged to contribute at utmost level. They are supposed to be participated in each decision making and implementation process.
6. **Spirit of inquiry:** Spirit of inquiry is encouraged to each employee so that employees will be more serious and sincere for identification of problems and solving them.
7. **Employee well-being:** OD is based on good human relations. It always thinks for overall well-being of employees. Spiritual, cognitive and physical upgrading is planned along with planning for change.

GOALS OF ORGANIZATIONAL DEVELOPMENT (OD)

Business organizations are facing ever increasing competition. Change in the organization is essential to improve the competitive advantages. OD is essential to create organizational culture to develop into a learning organizational. For each OD initiations, goals must be determined on the basis of needs and urgency of the change in the organization. Following are common goals of OD initiations.

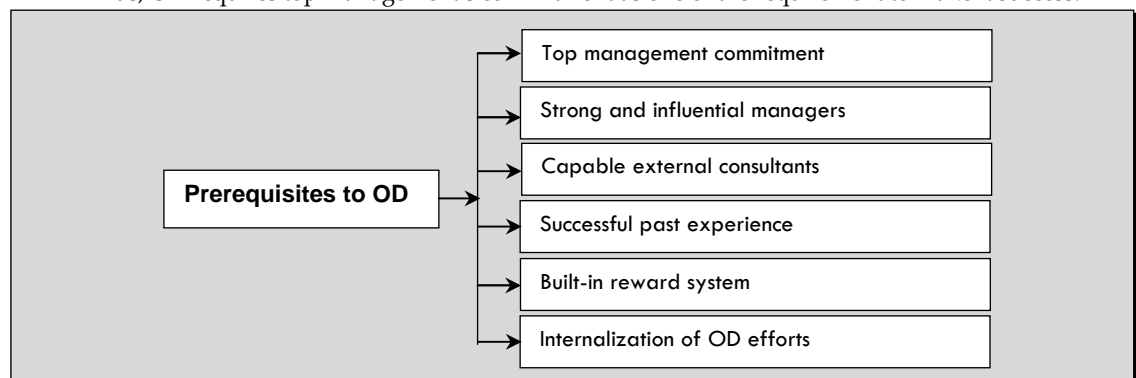
1. **Organizational effectiveness:** To attain organizational effectiveness through effective use of organizational resources is primary goal of OD. OD seeks to improve the organizational effectiveness through power equalization, autonomy at work, maintaining supportive climate and increased productivity. It aims to satisfy employees for accepting change.

2. **Employee well-being:** Employees are key actors in the success of organizational development movement. They first have to accept changes that are going to implement in the organization. Thus, employees need to be satisfied. For employee satisfaction, OD aims to improve and ensure their well-being. Employee well-being can be ensured through individual development of employees, interpersonal competencies, change-based reward system and improved quality work life.
3. **Conflict management:** Conflicts can be converted into organizational benefits as it can be used to improve productivity. But, the level of conflict should be within management control. Thus, conflicts should be identified, used for organizational productivity and should be solved if it becomes counterproductive. Conflicts are normally created because of change initiations in the organization. Thus, OD aims to manage the conflict through open confrontation strategy.
4. **Collaboration:** Change in organization is possible with the positive effort of each employee but is not possible through single effort. Organizational development, thus aims to increase collaboration among the employees so that they wish to work in teams. OD aims to create learning environment in organization so that each team member shares learnt ideas and gains new ideas from others. So, to develop collaborative culture in the organization is another important aim of OD.
5. **Environmental adaptation:** Each organization need to face political, legal, socio-cultural, economic, technological, and global environment. Change is necessary to adapt and overcome the probable negative influences of such forces. OD aims to overcome the negative effects of such environmental forces and adopt in new business area.
6. **System-wide change:** OD aims to initiate change throughout all the systems of organization. It makes each component of organization equally competent so that they can work for organizational.

PREREQUISITES TO OD

OD is inevitable but complex and time taking. Organizations have no exceptions for accepting the change but the issue is its level, and speed of the change. For effectiveness of the OD programs, few requirements need to fulfill. Some of the conditions or the prerequisites for effective OD are described below.

1. **Top management's commitment:** OD is possible only when there is strong commitment from top level management for change. During OD, there can be change in different areas like techniques, machinery, responsibility-authority relationships, etc. In such changes, top level management must be ready either in changing responsibility-authority relationship or in investment for new technology. Thus, OD requires top management's commitment as one of the requirement to make it success.

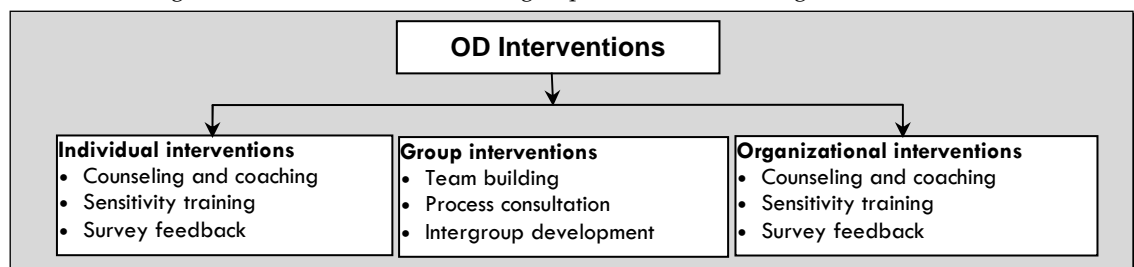


2. **Strong and influential managers:** Managers plan for change and initiate change to improve quality of goods and services. To make OD successful, some strong and influential managers are required so that they communicate about the change, change the attitude of other managers, supervisors and employees for accepting change. Such managers are the change agents.
3. **Capable external consultants:** External consultants are external change agents. They facilitate to internal change agents by means of trainings and consultant advice. Such consultants help to identify the area for change, diagnose real problems, nature of problem, and probable solution. Competency of such consultants determines the extent of success of OD in the organization.

4. **Successful past experience:** If the organization has experienced similar changes at past too and such events were successful, this increases the chance of being the current OD processes successful. Past success stories motivate the employees and policy makers, build the confidence level in them and give directions for the implementation of OD strategies. Experienced organizations have maintained technology, techniques, skills and knowledge from previous experience which will be beneficial.
5. **Built-in reward system:** Reward system should be unbiased. Managers should aware for providing equitable rewards. Rewards and compensation should be automatically fixed. Thus, to increase the cohesiveness between managers and employees, OD should develop the reward system.
6. **Internalization of OD efforts:** Internalization involves the process of realizing and accepting the change processes i.e. concern regarding renewal, re-education and training, constant assessment of the organizational health and corporate excellence. These concerns should be considered the vital processes in making OD success.

OD INTERVENTIONS

OD interventions are the techniques or approaches of OD. OD interventions are the techniques which are used to breakdown resistivity to change. There can be large number of OD interventions, so the change agents can choose intervention on the basis of purpose. But, the different interventions cannot be mutually exclusive as they contain many common contents and techniques. Based on focus, OD interventions can be grouped into three broad categories as individual interventions, group interventions and organizational interventions.



1. **Individual intervention:** In most of the cases, organizational problems are rooted by means of personal shortcomings or inadequacies in skills, knowledge or motivation to change. In such situation, OD interventions are required to design with individual level so that ability and motivation of individual employee can be improved. Depending upon the need, different forms of individual interventions can be selected as described below.
 - **Counseling and coaching:** Some of the employees may be unaware of the change initiation and the positive effects of change. They may have low confidence on their ability and skills. Some of them may not realize their low level of performance and identify the alternative method of doing work. In such situation, they need counseling and coaching. In counseling and coaching, consultant prepares, guides, facilitates, cheers and directs to the employees for change initiations. In this approach, change agents or consultants inspire and stimulate self-awareness and help to develop new behavior patterns of the employees. They assist employees for learning the alternative methods for performing and provide support and direction to such employees to adapt change effectively.
 - **Sensitivity training (T-Group):** Change becomes complex and almost impossible because of the interpersonal conflicts. Thus, it is required to intervene the behavior of individual employee towards others. Sensitivity training or T-Group is the training to employees which aims to change behavior through unstructured group interaction. It helps to build harmonious relationship among the persons involved in trainings. Such trainings help to improve the communication, develop leadership skills, increase in belongingness, reduce in individual gap and increase the individual tolerance through extending the listening capacity. After the sensitivity training, each member becomes aware and sensitive towards own behavior regarding how this behavior affects to others. This training helps to integrate individual objective and organizational objectives.

- **Survey method:** In survey method, questionnaires are prepared to measure the individual differences. Individual differences or discrepancies can be obtained through the use of questionnaires where each individual gets opportunity of giving information even in the sensitive issues. In survey method, only one work units or departments or whole organization can be taken as the sample unit to collect information to identify how individual differences occur. Interview, observation or questionnaire can be used to collect information regarding the discrepancies. Perception, attitude and behavior are identified after analyzing the data. After finding the differences, meetings are conducted to provide feedback on the basis of data collected. Problems are diagnosed based on the discussion in groups and remedies are developed to solve the problems.
2. **Group interventions:** Group interventions are the actions designed to improve the interaction process or working relationships between individual members, among members of work groups or teams, or between groups or departments in the organization. This is done at group level. Group interaction can be as follows.
- **Team building:** Team building is an attempt to assist the work group for making skillful for accomplishing job responsibility. Teams are encouraged to learn how to identify, diagnose and solve the problems in their self-initiation. Under this intervention, members of team are encouraged to set goals and priorities, analyze the performance of team, examine the norms, decision making process and communication process and examine the interpersonal relationship in the group. Team building intervention is adapted when the interaction among members in group is critical for group effectiveness. Team building approach becomes suitable if there is task interdependence among the members. For effective goal performance, each members of the team should be clear in team goal.
 - **Process consultation (PC):** In this intervention, consultant from outside the organization assist to the needy person or unit in the organization. They assist in perceiving, understanding and acting upon process events within the organization. Consultant plays a role of guide or coach with advice in communication, patterns, decision making and leadership style. Consultants can be more useful in setting appropriate methods for cooperation and conflict resolution. Process consultation intervention can be appropriate in solving interpersonal and intergroup conflicts. But it does not stress in participation of persons in process consultation because of which the process may be less effective.
 - **Inter-group development:** In organization, different groups need to form which should be interdependent to task accomplishment. But, many organizations fail to create significant results from group because of gap in perception, attitude and stereotypes of the groups have of each other. Thus, intervention is required to overcome such problems and create harmonious relations, mutual trust and attitude of mutual interdependence. Inter-group development tries to minimize the dysfunctional conflict between the groups. Inter-group development applies the following steps.
 - Separate meetings of each group are organized in which member prepare the list of their perception towards self, towards other group, their belief towards others are prepared.
 - Groups exchange their lists to identify similarities and dissimilarities. Differences are focused.
 - Groups analyze the nature and causes of differences.
 - Groups develop most feasible solution to improve their relations.
- This approach tries to solve the misunderstanding by creating trust, goodwill and openness. Inter-group development intervention is suitable to solve the problems created by overlapping the responsibility and authority,
3. **Organizational intervention:** Organizational interventions are designed for the organizational level with whole organization coverage. Following different types of organizational interventions are commonly used.
- **Organizational restructuring:** Organizational restructuring is done by changing or altering the responsibility-authority relationship. This helps in intervening coordination mechanism, communication channel, decision making approach and system, and job redesigning. In this type of intervention, working hours are made flexible and reward systems need to be changed. Structural change has following important aspects.

- Changing tasks into jobs, group's jobs into departments and divisions.
- It may move from functional departmentalization to a system based on products or geography.
- Dividing larger groups into smaller ones or merging small groups into larger ones.
- Supervisors may become coaches or facilitators in a team-based organization.
- **Task and technological changes:** In this intervention, either task or technology or both are changed. Task can be redesigned with sufficient restructuring or rearranging the responsibilities. Technology is the means to change input into output. This is the modification in the ways of doing things. New equipment, tools or techniques are used to intervene the transformation process. Information Technology (IT) is widely used in jobs and jobs are redesigned according to the nature of technology.
- **Goal setting (MBO):** Peter Drucker in 1954 AD, advocated that each business activity need to be directed to achieve the organizational goals. For this, goals should be set with the involvement of the employees. This means, if employees are involved in setting the goals of whole organization, they feel ownership in goals because of which their commitment level gets improved. Commitment of employees leads to the performance. This approach of setting goals with the involvement of employees is commonly termed as *Management by Objectives (MBO)*.
- **Quality of Work Life (QWL):** This intervention is made with creating favorable working environment in the organization. QWL helps to ensure the wellbeing of employees at job and economic wellbeing of the organization. QWL includes creating safe and healthy work environment. It concerns of maintaining proper physical settings in the work place, including space and layout along with development of human potential and capabilities, equitable rewards and social relevance and integration in the jobs.



SUMMARY OF LEARNING OBJECTIVES

- ❑ **Change:** Change is simply to alter the existing state to new one. To survive, grow and sustain the business, managers must work hard to evolve new ideas, procedures and products. For this, organizations should adapt several changes in their structures, technology and people.
- ❑ **Response toward changes:** There can be three types of response towards change as i) defiance ii) compliance and iii) alliance. Defiance response is to reject the change, compliance is to accept change and alliance is to support the change.
- ❑ **Target of Change Process:** Organizational change process focuses in main three areas like Change in organizational structure, Changes in technology and Change in people.
- ❑ **Planned Versus Unplanned Change**
 - **Planned change:** Planned changes are intentional or wishful changes of the organization management. Such changes can be managed easily. Organizations can fix magnitude of planed changes.
 - **Unplanned changes:** Unplanned changes are unexpected and forceful changes that organizations are compelled to adopt. External forces like legal compliances, intense competition, technological change, economic crisis, etc. force to adapt change in the organizations.
- ❑ **Magnitude of Change**
 - **First-order change:** Regular changes in the organization and its operation are first-order changes. First-order changes do not carry major shifts in organizational operation. First-order changes are made even prior to the analysis of success or failure of any one product, process or idea.
 - **Second-order change:** Second-order changes involve different levels of the organization and affect in different aspects of the business. Second-order changes are more complex and dramatic.
- ❑ **Forces for organizational change**
 - Shifting workforce demographics
 - Organizational performance gaps
 - Government regulation
 - Social trends
 - Change in technology
 - Economic crisis
 - Global competition

- ❑ **Resistance to change:** The tendency of refusing or rejecting the organizational change is resistance to change. It is negative or opposing force to bring changes in organization. Resistance can be overt, implicit, and immediate or deferred. Employee's reaction to organizational change can range from acceptance to active resistance.
- ❑ **Reasons for resistance to change**
 - **Individual sources for resistance to change:** Habit, Security, Economic factors, Fear of unknown, selective information processing
 - **Organizational sources for resistance to change:** Structural inertia, limited focus of change, group inertia, threat to expertise, threat to established power relationship.
- ❑ **Overcoming resistance to change**
 - Communicating change
 - Participating employees
 - Gaining leadership support
 - Manipulation and Cooptation
 - Selecting people who accept change
 - Educating employees
 - Building commitment
 - Rewarding constructive Behavior
 - Implementing changes fairly
 - Coercion
- ❑ **Concept of organizational development (OD):** Organizational development can be defined as a set of social science techniques designed to plan and implement change in work setting for purposes of enhancing the personal development of individuals and improving the effectiveness of organizational functioning.
- ❑ **Characteristics of OD**
 - Planned
 - System-wide
 - Visioning process
 - Learning process
 - Collaborative culture
 - Consultant facilitator
 - Action research
 - Long-term
 - Top management led
 - Empowerment process
 - Problem-solving process
 - Team work
 - Behavioral interventions
 - Focus
- ❑ **OD values:** OD values are verdicts or convictions about what is desirable and what is not in organizational development which provide guidelines for OD implementation. Humanistic-democratic is underlying values of OD.
 - Respect for people
 - Power equalization
 - Participation
 - Employee well-being
 - Trust and Support
 - Confrontation
 - Spirit of inquiry
- ❑ **Objectives and Goals of OD**
 - Organizational effectiveness
 - Conflict management
 - Environmental adaptation
 - Employee well-being
 - Collaboration
 - System-wide change
- ❑ **Prerequisites to OD**
 - Top management's commitment
 - Capable external consultants
 - Built-in reward system
 - Strong and influential managers
 - Successful past experience
 - Internalization of OD efforts
- ❑ **OD Process**
 - Diagnosis
 - Feedback and Confrontation
 - Interventions
 - Data collection
 - Action planning
 - Evaluation
- ❑ **OD Interventions**
 - **Individual intervention:** OD interventions which are required to design at individual level so that ability and motivation of such individual can be improved. There can be different forms of individual interventions as Counseling and Coaching, Sensitivity training (T-Group), Survey method, Group interventions, Team building, Process consultation (PC), and Inter-group development.
 - **Organizational intervention:** Organizational interventions are made at organizational level covering whole organization. Different types of organizational interventions are as Organizational restructuring, Task and technological changes, Goal setting (MBO), Quality of Work Life (QWL).

EXERCISE

A. Brief answer questions:

1. Define the concept of change.
2. In what way there can be the response of change.
3. Define planned change with example.
4. What do you mean by unplanned change with examples?
5. Differentiate between planned and unplanned change.
6. What is meant by magnitude change? Explain.
7. State various forces for organizational change.
8. Define the concept of resistivity to change.
9. Suggest any four tactics for overcoming resistivity to change.
10. Explain the term 'manipulation and cooptation' as means to overcome the resistivity to change.
11. Define the term coercion.
12. What is meant by organizational development? Explain.
13. Explain the concept of culture of innovation for change.
14. What is meant by learning organization? Explain.
15. State various characteristics of OD.
16. Define OD values with examples.
17. What can be the objectives of OD values? Make a list.
18. Suggest prerequisite for OD.
19. What are the steps to be followed for OD? State them.
20. Explain individual intervention for OD.
21. What is meant by organizational intervention? Explain.
22. Explain the meaning of management by objectives.

B. Descriptive answer questions:

23. What do you mean by change? Explain the target to change in organization.
24. Define change. Explain various characteristics of organizational change.
25. Explain different sources of resistivity to change.
26. Explain the concept of resistivity to change. Suggest any six methods for overcoming to change.
27. Explain the concept of organizational development.
28. How can an organization create culture for innovation? Explain.
29. What is meant by learning organization? How do organizations develop learning organization? Explain.
30. Define organizational development. State and explain different characteristics of OD.
31. Explain different values of OD.
32. Explain the concept of OD values. Also explain objectives and goals of OD values.
33. Explain the concept of OD. State and explain different pre-requisites to OD.
34. State and explain OD process.
35. Explain the concept of individual intervention in organization development.
36. Explain the concept of group intervention in organization development.
37. Explain the concept of organizational intervention in organization development.

C. Analytical answer question:

38. What do you mean by organizational change? Explain planned and unplanned change.
39. Explain the concept of change in organization. Why do employees resist change in organization? And suggest various measures to overcome such resistivity to change.
40. Organizational Development is essential in current global competition. Also explain different types of OD interventions necessary in different situations with examples.

41. Organizational Behavior is most complex matter in the organization. Different types of interventions are required to change attitudes and Behaviors of employees in organization. In this context, state and explain different types of OD interventions directed at changing the attitudes and Behaviors of employees.
42. Organizational change is inevitable in the organization. Some of the changes are well planned whereas some others may not be predetermined. Management must predict the need of future change preciously. To make your organization most successful, what different approaches do you suggest for managing change. Explain with suitable examples.

CASE

General Motor (GM) established in 1908 as the sole carmaker dealer in the region. Till 1920, GM was becoming the world largest motor manufacturing company in the leadership of Alfred Salon. Alfred always insisted to produce new style and design leading the market. Chevrolet, Pontiac, Buick, and Cadillac were other known brands of the cars which were producing by company that time, and this way there were no other competitors to compete in the company different cars. But with emergence Toyota Japan, GM started threatening specially in the North American market. Till 2001 Toyota captured the market because of the sale graph of the GM started declining, and started the days of crisis. To get rid of crisis, company received loan from American and Canadian government. Unfortunately company could not do its best and during 2009, the company had faced a bankruptcy and had closed several brand and sold out to china based company. Currently, company is retaining its market position gradually with lots of restructuring and making changes in the company starting in 2009. Now the company is again operating business in the core brands in America such as Chevrolet, GMC, Buick, and Cadillac.

Various reasons and forces led the GM for change in general motor. Competition developed by Toyota Japan, affected the North America market (GM is still the biggest market place for GM where the company sold out in recent year round about 2.9 million). Similarly, huge financial crises of 2008 which almost collapsed the cash flows of the company. One of the internal forces forced to adapt the change and development was the high wages cost to employees as the company was paying \$74 per hour as compared to Toyota \$44 per hour; resulted from the agreement with trade union. Likewise, the general the GM was compelled to run the plant with minimum 80% capacity whether it was needed or not, these things play an important role in the bankruptcy of the company.

GM ultimately decided to make change in the company on some areas of business, these were included, structural change, cost change, process change and cultural change. These changes were gradual in general but rapid as per company status currently. For change implementation, company took some steps: The first step was about cost cutting, the company has reduced its cost of some brands to maintain the profit level, such as the Saturn and hammer, by keeping the other company cost. Similarly the company also cut pay of employees which was the major problem to company. From the initiation, GM reduced cost by 15 billion in recent year. GM also changed the culture of the company, as it removed the automotive product board, and automotive strategy up to 8 men board decision making team which were responsible to report directly to CEO to make the decision quickly. Together, the company made the employees accountable and responsible to increase their efficiency.

The change process was not easy; GM encountered a number of problems during the change process. The cultural plan was based on top-down approach, ignored the involvement of employees. Employees' dissatisfaction in the process created challenge which forced to empower employees. Trade union agreement became the major challenge in cost cutting as employees refused lowering the pay. Company reduced employee from 226,000 to 101,000 workers. Company is concentrating on sale rather than to further cut off, and also the company is deciding to reduce the worked force of the factory from 60000 to 40000. Company now is being more accountable and responsible with empowering the employees for higher productivity

Questions:

1. What is the major problem of the case? What factors made the GM degrading its business?
2. Make list of internal and external factors forcing GM for change management. Justify why company needed to classify the factors.
3. Change is difficult but company can reap better crops. Comment the statement based on case.
4. What different strategies do you suggest the change permanent in the GM? Justify your answer.