

# Organizational Change & Transformation- A Review

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**Abstract**—In current worldwide competition Companies have no choice but to change, as it is very costly to reactive organizations. One can reduce costs and eliminates duplication and non value-added processes by transforming organizations into proactive entities. Any transformation program provides the opportunity to transform organizations from being reactive to a proactive.

Fore ever Organizational change is an important issue in organizations. It is a process in which an organization optimizes performance by working toward its ideal state. Organizational change occurs due to reaction of an ever-changing environment, a response to a current critical situation, or is suggested by a leader.

This paper discusses the causes of organizational change, requirements of change, types, Organizational Transformation, process of change, forces that cause change and reasons for failure.

**Keywords**—*Reactive & Proactive organization, Organizational change, Transformation, Change types.*

## I. INTRODUCTION

The origin of the organizational change and change management emerge back to the seventies, when the USA as the world largest economy faced oil crises. Then due to the competition of other countries like Japan initial driving force was generated. This Competition resulted in large scale mergers and takes over. The advent of the information age finally contributed to a reconstructing the US economy, [1].

Most of the Indian Industries were awaken suddenly in nineties due to:

- Business Globalization
- Slump in the commodities price.
- New competitors offering better quality at cheaper rate.
- New demand of customers.
- New inventions changing existing production technology.
- Growing awareness.
- New government.

Based on a survey conducted by the McKinsey consulting firm [2], out of the 1536 companies that went for organizational changes, only 38% successes in increasing work performance, while regarding other factors like better customer relationship, supplier relationship, positive work

culture, the contribution was only 30%. So the goals of the organizational changes are multi targeted. The most common goal stated by over 50% of the interviewees is 'minimization of cost, [3]. So the successful organizational change is not only the process, but it requires good leadership and managerial abilities

## II. DEFINING CHANGE

Change is a sequence of activities that emanate from disturbances in the stable force field that surrounds the organization (or object, situation or person), tends to focus on the role of context. [4]

Other view [5], Organizational change is a process, which consist of the following:

- An initiative which alters;
- Critical organizational processes, which in turn influence
- Individual behaviors, which subsequently impact on
- Organization outcomes.

The main elements of this definition are:

- Change is a dynamic process.
- Change is evident in a difference in the state and/ or conditions within a state.
- Change in state is more comprehensive and intrusive than a change in condition.
- Change as difference does not occur in avoid, but is bounded by its context.

Due to different in context, the organizational change must be treated different from environmental and personal change [6].

## III. WHY DOES AN ORGANIZATION NEED CHANGE?

We have already discussed that what is organizational change? It is an optimizes working performance of an organization. Why does an organization need organizational change [7]? From a passive perspective, organizational change occurs as a reaction to an ever-changing environment or as a response to a current crisis situation. On the other hand, a more proactive viewpoint is that it is initiated by a progressive management. Furthermore,

organizational change is especially evident when the organization has just undergone a transfer of executive power [8].

Other researcher [9] proposed that the causes of organization change can be explained by one of the following theories: teleological theory, life-cycle theory, and dialectical theory. The teleological perspective believes that organizational change is an attempt to achieve an ideal state through a continuous process of goal-setting, execution, evaluation, and restructuring. Life-cycle theory claims that the organization is an entity that depending on the external environment, cycles through stages of birth, growth, maturation, and decline. Dialectical theory hypothesizes that the organization is like a multi-cultural society with opposing values. When one particular force dominates over others, a new organizational value and goal is established, resulting in organizational change.

#### IV. DIFFERENT TYPES OF ORGANIZATIONAL CHANGES

In the effort of understanding the change we have discussed need of organizational change. The types of changes are differentiating according to:

- The manner in which the change unfolds in;
- The scope of the change;
- Time duration;
- Change mechanism

##### 1. First and second order change

This concept initially introduced [10]. The first order change is thought of as that is occurring within a given system & remains unaffected during the changes takes place. While the second order change, is a changing of system itself.

The first order change is easily accepted with the least resistance. The second order change is difficult to understand and facing more resistance.

##### 2. Alpha, Beta & Gamma Change

These changes are first introduced by [11].

Alpha change is the actual observed difference between the scores of pre-test and post-test. This change can be treated as conventional form of change where the conceptual domain remains constant.

Beta change is almost same as alpha change, except that the respondent has recalibrated the intervals on the measurement instrument at a conceptual level. That is participant has to change his understanding about the meaning of the scale between the pre-test and post-test.

Gamma change involves a redefinition of some conceptual domain. It is change in state as opposed to change in condition.

##### 3. Scharmer's topology of coping with change

According to [12], transformational change occurs on multiple levels and offers a distinction among five different levels of changes as shown in figure1

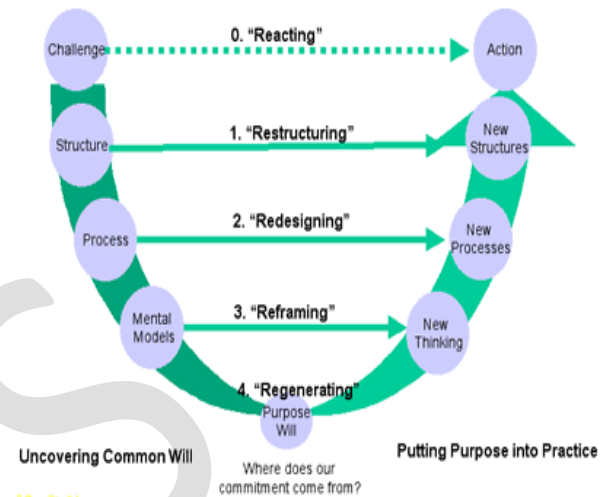


Fig. 1: Five levels of behavior in response to change, Source: Scharmer, 2000.

- Level 0 Change: Reacting. The first response to a challenge caused by change often occurs at 0 levels, where the change has occurred. Once the problem is known, the reaction will be the response.
- Level 1 Change: Restructuring. Structure is a set of variables that drive behavior. Restructuring occurs when the problems raised by 0 level change appears in the different ways.
- Level 2 Change: Redesigning. When the first two levels cannot reflect the real issues of change, the redesigning is appropriate. In this response, redesigning or business re-engineering called core processes, which are at the centre of what drives corporate behavior.
- Level 3 Change: Reframing. About 70% of all corporate re-engineering attempts fail [13]. Many researchers argue that these failures are results of mental models which are used to developed core processes, did not change.
- Level 4 Change: Regenerating. This fifth approach of change is focus on deep intention, purpose and will. The responses of the levels 0, 1, 2 and 3 are part of a more subtle set of contextual variables, which are referred to as purpose [14], shared vision [15] or common will [16].

#### 4. *Other Change concepts*

For further understanding of types of changes in organization, some more concepts of change need to be reviewed [6]:

- Continuous change: This change can be described as a gradual adjustment of the organization for the continuously changing the environmental circumstances.
- Discontinuous change: This changes has been described as change processes that are not continuous with the past or present direction of the organization.
- Radical change: Considered as scope of the disruption in the continuity of the working of the organization.
- Evolutionary change: It is very slow-paced change and it's direction is indicated by environment.
- Revolutionary Change: This type of change involves short, transformational revolutions within an extended period of slow and gradual change.

### V. ORGANIZATIONAL TRANSFORMATION

For a significant number of people transformation refers to the process of reshaping organization by appointing previously disadvantaged people to senior positions.

To some others transformation is still synonymous with change, but change could refer to very specific intervention such as reengineering the plant, introducing TQM or implementing ISO9000.

To the more informed, transformation implies radical changes in how people perceive, think & behave at work [14]. Extensively, transformation is a change of the basic characteristics of structure, people & function in such a way that it can't return to the earlier firm. The transformation involves [15]:

- An active process of the generation & dissemination of knowledge.
- Process of learning & adoption.
- Creative process of discovery of a new dimensions with all of its implications &
- The painful process of re-conceptualization, reformulation & integration of the variables involved in the new assemble, with whole new relationships & characteristics of its own.

According to the definition "...second order change (Organization transformation) is a multilevel, qualitative, discontinuous, radical organizational change, involving a paradigmatic shift." [17]

Organizations must experience & anticipate threat to survival before they will be motivated to undertake transformational change.

There are three kinds of disruption that trigger transformational changes: [18]

- Industry discontinuities: Sharp changes in legal, political economic & technological conditions.
- Product lifecycle shift: Change in the product life cycle.
- Internal company dynamics: changes in size, corporate portfolio strategy, executive turnover & like.

Some researchers also discuss the role of leadership in transformation. Accordingly leadership is the key in all phases of the transformation process [19]. Apart from the fact that they have to provide strategic direction, they have to actively lead the transformation [20].

### VI. PROCESSES OF ORGANIZATIONAL CHANGE

Regardless the type of change an organization adopts either evolutionary or revolutionary, managers always faces the problem of getting the organization to change. Many scholars have attempted to the study of this change process, and most of them follow Lewin's "Force Theory of change" [21]. Based on the observation of real world organizational change, a three-step process for successful organizational change: unfreezing, moving, freezing [22].

Unfreezing starts from the members' understanding of the organizational crisis that motivates them to change go through three stages. First, there must be enough information indicating that the current organizational condition is not ideal. Secondly, this information has to be related to the important goal of the organization. Finally, a solution has to be proposed that will reduce the members 'insecure feeling and resistance to change [23].

Moving is taking actions to transform the organization to an expected condition. The process is quite complicated; it involves goal setting, support seeking, resource finding, planning and execution. There are two forms of moving: problem-solving orientation, and vision orientation.

Freezing is to stabilize the change achieved in moving stage. The individual, the department, and the organization, all have an inertial way of thinking and doing, so that the change achieved in moving state will return to the status quo ante if freezing is not done.

### VII. FORCES IN ORGANIZATIONAL CHANGE

According to force-field analysis model, an organization is an open system. There are two forces in organization change [21], one is the pushing of the organization to a new direction; it is the driving force. The other is preventing organization from changing; it is the restraining force.

When driving force is stronger than the restraining force, organizational change occurs, and the organization will move towards a new direction. When restraining is stronger than the driving force, organization will stay where it was; and when these two forces are equally powerful, it will stay stable temporally.

When organization is about to change, there are different forces to prevent them from change, which is the above-mentioned restraining forces. Restraining forces can be divided into three levels: organization level, secondary unit level, and individual level [24]. Factors in the organizational level include the organizational structure inertia and system pressure, organizational culture, and the pressure from past success. Factors in secondary unit level include the standpoint difference and interest conflict between different departments. Factors in individual level include the misunderstanding, lack of trust, own benefit threat feeling, uncertainty, custom, etc.

How to manage these factors that may hinder the successful change of the organization. The active ways to gain organization members' support includes education, communication, participation and involvement. The passive ways to eliminate members' resistance include assistance, negotiation control, and coercion [25]. These methods are most effective in different situations therefore the superintendent must manage the organization change according to the situation, and use the combination of suitable methods to implement the change.

8 Step Change Model can be used as a good framework [26]:

1. Step One: Create Urgency
2. Step Two: Form a Powerful Coalition
3. Step Three: Create a Vision for Change
4. Step Four: Communicate the Vision
5. Step Five: Remove Obstacles
6. Step Six: Create Short-term Wins
7. Step Seven: Build on the Change
8. Step Eight: Anchor the Changes in Corporate Culture

#### VIII. WHY DOES ORGANIZATIONAL CHANGE FAIL?

There are many factors that will affect the success or failure of organizational change. The 6 most important factors include the insufficient readiness for change, lack of systematic plan for organization change, fast solution expectation, the focus of change activity instead of result, poor management in change process, and mismatch between change plan and organization context [24].

To achieve successful organizational change, all these factors have to be considered carefully. The following section will explain each of them briefly.

Readiness for change refers to the degree of positive acceptance of the necessity of change, and the positive attitude toward the effect of change on self and the organization [27]. The higher the preparation, the higher the acceptance and executive power of the member shall be. The lower the preparation, the higher the resistance to change, and the higher the probability of organization change to fail will be.

Another common reason for organizational change to fail is that many organizations do not take the systematic viewpoint to make a holistic plan for organizational change. Moreover, some organization applies the identical changes plans to all departments and individuals without considering their differences.

The fast solution expectation is another error organization makes. They often assume introducing a set of organizational changes can solve all the problems, and recruiting an outside consultant can assist on everything. With this expectation, the organization will depend on the consultant too much, and invest too little, and will end the change plan too early if the achievement does not meet their expectation.

In addition, when planning the organizational change, members often take the change activity too seriously, but neglect the change goal itself. Thus, members participate in the activity vigorously, but the achievement is actually very limited

Poor management in change process is another commonly made mistake. Many factors have to be considered and attended to in the unfreezing, moving or freezing stages. Overlook certain factors many lead to total failure of the organizational change.

Finally, the match between change plan and organizational context may also play a significant role in the success or failure of organizational change.

Organizational change is to establish new pattern of thinking and behavior. When the new pattern conflicts with the old ones, the oversized resistance tends to cause the plan to fail. Therefore, in designing a change plan, the organizational context must be incorporated.

#### IX. CONCLUSION

The process of moving organization from one state to another state in order to survive is complex one. Many of the changes never reach to the goal, are abandoned and resources such as time, people & money are wasted.



Success neither depends on a single event nor hinges on creating the appropriate momentum. Organization today has to develop the ability to become resilient.

To stay competitive individuals, teams and organization have to engage in continuous learning & improvement and the capacity to engage in continuous change.

As a result of environmental forces and organizational crises, discontinuities invariably arise. Manager may then find them powerless to deal with the forces & could feel trapped in fixed paradigm, which will force them into a reactive rather than pro-active mode. In such cases the choice is often between organization extinction or immediate & radical transformation. Change is now multidirectional, multi component & multilevel alteration that shift irreversibly to a new paradigm.

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