

# MANAGING CHANGE

*Dibsono, SE, MTR*

Today's winning companies are those that are able to successfully adapt and capitalize on rapidly changing – unpredictable environments. The ability to manage change has become one of the key success factors of every organization to survive and grow. In some cases, organizations have no choice but to make the fundamental changes (Kilman & Covin, 1998) otherwise they were not ever survive. Successful change depends on the right decision on content, scale and direction and, the level of acceptance of the organization's people over the idea of change.

This paper reports an analysis of some organizations that had successfully managed their change processes. As you will see in this article, those companies were forced to make changes due, especially to the changing of their environment. In addition, due to specific organizational context, some companies had given more attention to certain aspects of managing change such as leader's role, culture or, communication, etc. Some companies were concentrating on preparing the readiness of their people and organizations as they believed that such step was assumed as foundation to conduct successful change process. This is true especially to those that perceived that they had heavy time pressure or sufficient level of disagreement over the idea of initiating the change. The following are the theoretical framework used as the tools of analysis.

## Types of Change

Daft (1995) identifies four interdependent types of change;

- **Product and services changes**; pertaining to the development of new products or product modifications
- **Strategy and structure changes**; pertaining to changes in administration domain
- **People and culture changes**; pertaining to changes in employee values, attitudes, expectations, beliefs and behavior.
- **Technology change**; pertaining to changes in organization's production process, including its knowledge and skill base.

These types of change are basically interdependent in nature in the sense that changes in, say strategy and structure, may affect changes in technology, people and culture.

## Elements for successful change

For an organization to succeed in conducting organizational change, it must consider various aspects that significantly affect the processes of the change. In this matter, Daft (1995) proposes five key elements for successful change,

- **Idea**; new idea of managing is one of key factors for any company to survive in the changing environment
- **Need**; it is important for managers and their people to share perceived need for change. Only when they agree with, say, the existence of gap between actual and desired performance the initiation of change can be accepted.
- **Adoption**; it occurs when decision makers choose to go ahead with the proposed change idea
- **Implementation**; it represents that the organization is actually using the new idea, technique or behavior. It is the most difficult part of the change process.
- **Resources**; resource such as human resources are necessary to make the change happen.

## Implementation of Organizational Change

Although there are many variations of models of managing change, however they are basically the same with that of Lewin's Model. Lewin (1951) proposed three steps of managing change

- **Unfreezing**; refers to organization's efforts to unfreeze the frozen status quo and raising awareness of the need for change among organization's members.
- **Moving**; only after unfreezing has been accomplished, the change process can be implemented to moves into a new state.
- **Refreezing**; refers to efforts in institutionalizing the change.

By using different view points, Cummins and Worley (1993) proposed five steps in change process:

- **Motivating the change;** this is important to simultaneously create organizational readiness for change and to eliminate the resistance to change
- **Creating vision;** this includes developing and communicating organization's mission, goals and desired future. In this case, communicating operative goals is necessary as the operational guidance to all organization's members.
- **Developing political support;** this includes assessing and hiring the change agent and identifying and influencing key stakeholders.
- **Managing transition** this refers to activity planning. Special structure such as cross departmental teams may be needed during the change process.
- **Sustaining the momentum;** it pertains to providing resources, supporting the change agent, developing new competencies and reinforcing new behavior.

Other technique which is proposed by Daft (1995) is as follow,

- **Diagnose the need for change;** a careful diagnosis of the existing situation is necessary to determine the extent of problem or opportunity.
- **Find ideas that fit the need;** it is a good opportunity to encourage employee participation.
- **Get top management support.**
- **Design the change for incremental implementation;** the large change plan can be divided into subparts and each part is adopted sequentially.
- **Develop a plan to overcome the resistance to change;** this can be achieved by assuring that the change meets the need and communicating the needs and consequences of the change and encouraging employee participation to develop sense of control over the change activity. Sometimes coercion and force are needed.
- **Creating change teams;** these teams are needed to focus effort, resources and energy to make the change happen.
- **Foster idea champions;** this is especially to persuade employees to participate and sustain the change process.

In addition to the above model, other writers or researchers emphasize on certain specific aspects; Schneider (1996) proposes that successful change process depends on the organization's *prevailing condition* prior the change initiation as well the *way the change is introduced*.

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In developing the organizational readiness to change, Crossan (1995) proposed a model of *improvising organization model* which emphasizes on interactive processes among managers, employees, customers and other key stakeholders that affect to or are affected by the change. However, to successfully manage the change through the improvising model, the organization and its employees need to be good at their core skills as well as agree with the needs for change. This notion is supported by other research findings. For example, Sumantra & Bartlett (1996) found in their study that *the real challenge in managing change is how to make people ready to change in themselves; their attitudes and their assumptions and behaviour*.

The following are examples of organization that had successfully managed their organizational change.

#### **A. Department of Mental Health and Mental Retardation**

This governmental organization had successfully transformed its organization from a bureaucratic organization into a customer focus culture by using TQM. Although this organization only wanted to change people and culture, it had to change its strategy and structure as well. This experience is identified by Daft (1995) as *the change interdependency* where change in one element of a system affects the others.

The change process in this organization concurs with the key elements of successful change identified by Daft (1995). Firstly, the *idea for change* came from organization's members and government who realized internal inefficiency. This understanding became trigger for the second element; the *need for change*. The major change barrier came from high level managers who lacked of consensus on new vision, mission, and strategy. The barrier existed due to lack of coordination, communication and personal barrier such as fear of loss. Thirdly, the *adoption*; decision was finally made based on the vision that to be effective the organization should provide employees with information and choices and empowered branch managers who in turn empowered their subordinates. Fourthly, is the *implementation* which was decentralized and it was done through the empowerment of all the branch managers who were allowed to manage the branch with full autonomy.

#### B. ASEA Brown Boveria

The ASEA Brown Boveria (ABB) focused on the importance of communicating the change. The communication procedures and steps which are adopted by the ABB concur with the three change steps identified by Lewin (1951)

First of all is the *unfreezing*. All high level managers were responsible to make their people feel confident, secure and hopeful about the change. They showed wholehearted and visible support and gave employees as much information as possible about the idea, need and the consequences of the change. Secondly, *moving*. The ABB used rich communication media during the implementation process where middle managers played an important role, especially in enhancing employee participation and providing information and assistance and dealing with emotional issues such as fear, anxiety and mistrust. Finally, the *refreezing*. The organization set up a formal communication assessment to establish baselines, direct communication strategies and also monitored the progress of institutionalizing the change.

#### C. PepsiCo

The change at *PepsiCo* emphasized on organizational readiness for change. The CEO put high commitment on creating learning culture by *teaching and coaching* managers. This readiness is the unfreezing stage identified by Lewin (1951). The learning culture in this company also incorporated the elements of Cummings and Worley's (1993) model.

Firstly, *motivating change*; the CEO's direct involvement had successfully built organizational awareness and

concern on whatever problems and opportunities faced by the company. Secondly, *creating vision*; through a kind of workshops the CEO encouraged employees to participate. Managers were invited to join in the workshop sessions of corporate vision revision, problems solving, leadership, managerial skills, strategic formulation. Thirdly, *building support from managers*; the program had successfully established shared vision, strategy and other organizational concerns which in turn increased support from the managers. Finally, *maintaining organizational readiness for change*; the workshop also aimed to enhance open communication and learning culture which were believed to be important in maintaining the organizational readiness for change.

#### D. Philips

Change at *Philips*, conforms with the techniques for the change implementation proposed by Daft (1995). Through a program called *Centurion* Philips educated its senior managers through "brutal" brainstorming on the company's life. Critical views, suggestions and comparisons (with other companies) were not only encouraged and appreciated but also implemented.

**All high level managers were responsible to make their people feel confident, secure and hopeful about the change.**

In *diagnosing the need for change*; senior managers were encouraged to identify ideas of solving the organization's problems. The program continued with the process of *finding ideas that fit to the organizational needs*; the identified problems and proposed solutions were discussed in the Centurion sessions and the results were communicated throughout the organization. Fortunately, Philips' top management fully supported and committed to implementation of the change proposal. Through the program basically Philips prepared its managers to have a

corporate level of transformation, however the implementation was done on the basis of incremental change style. Finally, to *foster idea champion*; the Centurion session was a formal media through which managers presenting their ideas. Rewards was given in the form of recognition, promotion, idea implementation and other intrinsic rewards.

It is reported that the Centurion was responsible for the successful organizational change such as delayering organization's structure, reducing debt significantly, reducing personnel by 50,000 employees and at the same time doubling company's share price. (Note: similar learning culture is also adopted by Mercedes Benz to facilitate its successful organizational transitions (Tichy & DeRose, 1996).

#### E. State Transit Authority Australia

A radical change was adopted by *State Transit Authority Australia (STAA)* which had successfully restructured its organization; that is from an operational base to customer focus and from bureaucratic and strong government control to flexibility and autonomy. In less than 5 years it successfully cut employees, from 6,600 to 3,800 employees and got profit. Included in the change were people and culture, product and service and, strategy and structure.

The elements of change adopted were in line with those of elements identified by Daft (1995). Firstly, the *need for change*; the needs for change came from the government due to internal inefficiency that made a loss of more than A\$ 70 millions. The more intensive market competition also forced the organization to change. Secondly, the *idea for change*; the vision was to be an autonomous and customer oriented organization. This vision was widely shared throughout the organization. The process of strategic formulation such as plan to cut the number of employee involved line management and the union. Thirdly, the *adoption*; the consensus was reached to employ new strategic direction which needed fundamental changes in strategy and structure, people and culture and, product and services. Finally, the *implementation*; top down implementation and revolutionary style was used. This is particularly caused by the fact that to conduct the change process participatively took time especially when the level of agreement over the direction and scale of change was low. The change was started by implementing new structure, reallocating people, forming teamwork and training. New human resource management practices such as performance management, career assessment and promotion which were based on merit were applied simultaneously.

#### F. A Financial Institution (no name is mentioned)

A change process at a major financial service organization emphasized on two levels of change strategy; that are *transformational level* and *transactional level*. Transformational model is a corporate level of change where fundamental aspects of an organization as a whole are changed radically. While the transactional level represents a changes that are conducted at operational level. The change process that was successfully adopted by this company concurs with the model presented by Lewin (1951)

*Unfreezing*; the process was started at the top level of management where transformational mode of change was used. This included the development of new vision, strategy and corporate goals. Strong commitment from top leader was showed from the beginning of the change process.

*Moving*; at this stage, the change style was shifted to transactional mode where items such as procedures, reward system and career management were negotiated. Senior leaders encouraged employee participation. Line managers were empowered to help them implement the change.

*Refreezing*; to institutionalize the change, the company employed new organizational practices such as leadership, teamwork, performance management and new culture of trust and customer orientation which were well orchestrated.

#### G. Pfizer Inc.

This case study emphasizes the important role of leadership in an incremental and continuous change management. The change strategy at Pfizer Inc. incorporated the elements of implementing change proposed by Daft (1995).

*Diagnosing the need for change*; Pfizer encouraged its managers to identify problems, opportunity and ideas for better ways of doing things. Open communication was established to enhance shared understanding of the changing environment.

*Find ideas that fit the need*; Pfizer's strategy focused on what is important for current and future customers.

*Management's commitment*; senior managers displayed full commitment to the change. They established good relationship with employees which resulted in support from the employees.

*Incremental change*; change strategy adopted by Pfizer was an incremental one. However, the series of the incremental change finally formed a comprehensive corporate change.

*Managing the resistance to change*; the company successfully avoided the resistant to change by keeping employees well informed and involving them in the change process.

## H. PacTel Corp., Matanuska Telephone Association Inc., Yelm Telephone and, Bell Atlantic Corp

This case study covers four PacTel Corp., Matanuska Telephone Association Inc., Yelm Telephone and, Bell Atlantic Corp. They had successfully adopted radical change which covered all four types of changes identified by Daft (1995).

**Need;** they were forced to change by the changing market competition and inflexibility of federal regulation reform and emerging business opportunities.

**Idea;** while maintaining of its existing customers, they wanted to utilize the business opportunities.

**Adoption;** they adopted TQM, new technology, strategy and structure and product and services.

**Implementation;** CEOs were responsible for creating climate where employees believe that change is not threat but opportunity. Cross functional teamworks were formed and involved in the implementation of change process.

## Conclusion

The analysis of the change strategies adopted by various organizations presented in the analyzed articles indicate that change management theories are well adopted in the real organizational life. As indicated in the analysis, organizations' strategy in managing change is consistent with many models and concepts proposed by the academic literatures. However, it is found that some organizations give special attention on certain aspects of the change management such as creating organizational readiness for change and communication. This special attention due to unique circumstances surrounding the change process.

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Dibsono, SE, MIR is a Faculty Member  
at Prasetya Mulya Graduate  
School of Management.

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