

RUNNING HEADER: Principles of Organizational Change and  
Development

KAM 6

Principles of Organizational Change and Development

Walden University

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Ph.D. in Applied Management and Decision Science  
Leadership and Organizational Change Management

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8610 Breadth Abstract

This paper explores principles of Organizational Change and Development. A general review of Lewin's change model, the Action Research model, and Transformational change are presented. A comparison of Lewin's change model, the Action Research model, in the context of transformational change is included along with conclusions by the author.

8622 Depth Abstract

This paper explores current literature on organizational change and development. It focuses on transformational change including the role of transformational leaders and the transformational process. Also contained in this work is an annotated bibliography of recent articles on the various subjects contained in the paper. The paper ends with a summary and conclusions by the author.

8632 Application Abstract

This paper explores a business situation that requires organizational change. A hypothetical problem regarding the implementation of new purchasing processes is presented. Corrective actions are presented based on Kotter's change model. The paper concludes with a summary and conclusion by the author.

RUNNING HEADER: Organizational Change And Development

SBSF 8610 - KAM 6 Breadth

Models of Organizational Change and Development

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## Introduction

This research paper will focus on organizational change and development theories and practices. Cited works by Warner Burke, Thomas Cummings, Michael Harrison, Ann Howard, Michael Harrison, Amir Levy, and Stephen Robbins will provide the research for defining leadership theories, styles, and practices. Additional information from other authors will be used to add theoretical application data.

In this KAM, I will define organizational change using current research. First, I will present a history and some general definitions of organizational change. I will then explore Lewin's change model, the Action Research model, and transformational change. I will present a brief overview of each model and then analyze the two models in the context of transformational change. Finally, I will offer a conclusion that summarizes my findings and offers a personal perspective of what I have learned from this KAM.

## History Of Organizational Development And Change

Fredrick Winslow Taylor is considered the father of scientific management (Burke 2002). He studied organizational change in the late 1800s and early 1900s. This period of time included an industrial revolution when there was a growth in manufacturing, and when economics and

engineering were the primary disciplines. Taylor's scientific management is based on four principles. The first is data gathering. This includes the gathering of traditional data about how work is being done and translating it into work rules that are enforced by managers. The second principle is worker selection and development. This involves selecting and training the right workers for jobs they are suited for. The third principle is the integration of science and the trained worker. This involves treating workers well and implementing the best methods of work with the best trained workers. The final principle is the redivision of the work of the business. This involves dividing the company into two groups. One group actually performs the productive tasks. The other group plans and monitors the work (Burke 2002).

The Hawthorn Studies, led by researchers from the Harvard Business School and Western Electric, studied worker productivity and morale at Western Electric's Hawthorn Works in Chicago during the 1920s and 1930s. During this period, a series of experiments were performed to measure the effects of working conditions, incentive pay, personal health, and supervision on the productivity of workers (Burke 2002).



Industrial psychology emerged in the late 1940s and early 1950s. The Fleishman study is an example of industrial psychology. It was focused on testing with questionnaires, and studied morale and efficiency. Efforts were made to measure the effects of training. Before and after surveys charted the changes in behavior associated with supervisor training. The studies also measured the effects of culture and environment on these changes. This linked training objectives, individual change objectives, and overall organizational change objectives (Burke 2002).

In the 1950s and 1960s, research was started at Ohio State University, the University of Michigan, and the Massachusetts Institute of Technology, which was founded by Kurt Lewin. This research studied how to best use the results of surveys and questionnaires for organizational improvement. This evolved into the method known as survey feedback. This method starts with the collection of data through an instrument like a survey. Employee perceptions about management and organization are collected. Next, the feedback from the survey is reported back to the organization in a systematic way. This systematic reporting includes a top-down evaluation of the results where each level of the organization discusses what the

results mean and how to implement improvement plans (Burke 2002).

### Definitions of Organizational Change and Development

Most organizational change is neither significant nor successful. One reason is that deep cultural change is difficult to execute. Another reason is that, when things are going well, it is difficult to build a case for change. Few people possess the knowledge required to plan and implement large-scale organizational change (Burke 2002).

To address the cultural issues associated with organizational change, three areas require diagnosis. First is the focus on where the organization is going and what it wants to be. Second is the involvement of the employees. Everyone involved must be motivated to adopt a new behavior and direction. Third is the alignment of the organizational systems to support and reinforce new behavior (Howard 1994).

Amir Levy and Uri Merry talk about the concept of planned change within organizations. This involves a deliberate decision to execute a program of change and involves a change process (Levy and Merry 1986). They describe first-order change as minor adjustments that occur naturally as an organization evolves and does not change

the organization's core. Second-order change involves modifications to an organization's core and is irreversible (Levy and Merry 1986). There are two goals associated with planned change. First, it attempts to improve the organization's ability to adapt to environmental changes. Second, it attempts to modify the behavior of the employees (Robbins 2000).

Linda Ackerman Anderson and Dean Anderson define planned organizational development this way:

Organization development is a system-wide and value-based collaborative process of applying behavioral science knowledge to the adaptive development, improvement, and reinforcement of such organizational features as the strategies, structures, processes, people, and cultures that lead to organization effectiveness (Anderson and Anderson 2001, p. xxi). They go on to include the concept of change management as part of the change leadership process (Anderson and Anderson 2001).

Planned change refers to how an organization's internal and external experts help the organization implement desired changes and cope with the difficulties associated with those implementations. Internal change managers become change experts as they work with and learn

from external consultants. Planned change involves a planned process for moving an organization to a new structure. This includes modifications in staffing, power, and departmental structures (Levy and Merry 1986).

The change process involves letting go of existing paradigms. Managers must feel that there is an urgent need for change. They must be open to the idea of creating a new organization that functions differently than the current organization. Once there is a sense of urgency, new technologies, operating procedures, and direction can be introduced to facilitate the movement to the new state. After the organization has moved to the changed state, it must be solidified and institutionalized so there is no tendency to drift back to the way things were before (Burke 2002).

Strong leadership is required to make organizational change possible. Robert Lussier defines leadership as "the process of influencing leaders and followers to achieve organizational objectives through change" (Lussier and Achua 2001), p. 6). The process of setting and influencing objectives is all about change (Lussier and Achua 2001). Leadership is different than management. Managers are concerned with budgets, schedules, and agendas. Leaders

are concerned with setting direction, building a vision, and creating organizational change (Northouse 2000).

### Lewin's Change Model

Kurt Lewin developed one of the early models of planned change. He identified two forces at work in organizations. The first is those who are striving to maintain the status quo. The second is the group that is pushing for change. When those forces are equal, the current behavior is maintained in a state of quasi-stationary equilibrium. Lewin described a change process that consists of three steps (Cummings and Worley 2001).

The first step is called *Unfreezing*. In this step the organizational forces that maintain the status quo are reduced. The leadership of the organization communicates the new, desired behaviors and articulates the changes necessary to achieve the new desired state. Organization members are motivated to accept and engage in change activities (Cummings and Worley 2001).

There are three ways of unfreezing an organization. The first is through *disconfirmation*. This involves communicating the need for change. Leaders can explain how customers are dissatisfied with the organization's current performance. Changes to the organization's external

environment can be communicated creating an urgent need to respond for the organization to survive. Second, leadership can induce a feeling of guilt or anxiety. This involves showing members the gap between the current state and the desired state. When faced with these facts, the members of the organization feel guilty and strive to close the gap. Third, leadership must create a a feeling of *psychological safety*. For people to truly change, they must feel that doing so will not result in a feeling of embarrassment or a loss of self-esteem. Members must feel psychologically safe, meaning that there will be no retribution or punishment for participating in the change (Burke 2002).

The second step is called *moving*. In this step the organization develops new processes and behaviors. The organization shifts to the new desired state. This is the point where new organizational structures are introduced (Cummings and Worley 2001).

Two processes are necessary for organizations to move or change to the new state. First, the organization must begin to identify with a new model or leader to begin seeing things from the new point of view. As people begin seeing others operate in a new way, they can imagine the new behavior in themselves. The second process is scanning

for new information. This is a way to alleviate the fear of change. Gathering and disseminating information about other organizations that have initiated the same changes helps people see that the changes can work. It leverages the experiences of others and allows an organization to learn from them. This can be accomplished by visiting other organizations, inviting representatives from other organizations to visit, or attending conferences (Burke 2002).

The third step is called *refreezing*. In this step, the organization stabilizes in the new state. New organizational policies and structures support the new organizational state (Cummings and Worley 2001).

There are two parts to making this stabilization permanent. The first part is personal. The organization member needs to feel comfortable with his or her new behavior to make the change successful and permanent. Members must feel comfortable trying new behaviors, getting constructive feedback, and then being rewarded when they get it right. The second part is interpersonal. The new behavior must fit well with other organization members. All of the changes need to work together to be effective and permanent. All employees must be comfortable with the changed behavior of each other (Burke 2002).

Later work by Ronald Lippitt expands the original work by Lewin. It includes the addition of steps to establish relationships with external or internal change management consultants and terminate those relationships when the change is completed.

### Action Research Model

The action research model is a cyclical process. Research about an organization is used to guide change efforts. It is an iterative cycle of change and evaluation that guides the action. It involves consultation with an expert in organizational change or behavioral science. It is focused on both change and knowledge (Cummings and Worley 2001).

The action research model has eight main steps focused on implementing change and developing knowledge. The first step is problem identification. This is when a key executive in the organization determines that there is one or more problems that might be solved with the help of an organizational development consultant.

The second step involves consultation with an expert in behavioral science or organizational development. In this step, both the organization and the consultant must



evaluate each other to determine if there is good fit (Cummings and Worley 2001).

The next step is data gathering and preliminary diagnosis. This step is performed by the consultant, along with some organization members. In this step, data is gathered and analyzed to determine the underlying causes of organizational problems. Data gathering is accomplished through interviews, observing processes, questionnaires, and performance data (Cummings and Worley 2001). Gathering data can be time consuming and expensive. Consulting practitioners must be careful to understand the context in which the data is taken. For example, employee evaluations may be skewed, by supervisors, in the employees' favor to show them in a favorable light. The review of the same evaluations, by higher managers, may have a different spin in their desire to minimize salary expense increases (Harrison 1994).

The fourth step is when the consultant gives feedback to the client. Work teams are assembled to analyze the findings of the consultant and identify organizational strengths and weaknesses (Cummings and Worley 2001). The consultant only gives feedback to the clients who called for the study. However, when group problem solving

techniques are being used, feedback may be given to all participants (Harrison 1994).

Step five involves jointly diagnosing the problem. In this phase, organization members discuss the feedback and the potential for problem resolution with the consultant. It is important for the consultant and the client to do this activity jointly to improve the validity of the diagnosis and gain acceptance of the resolutions (Cummings and Worley 2001). Consultants can make major contributions to the diagnosis effort by reinterpreting problems and issues for the client. This can help clients and consultants focus on problems instead of symptoms (Harrison 1994).

In step six the joint action planning is done. Specific action plans are developed taking the organization's culture, technology, financial situation, and environment into consideration (Cummings and Worley 2001). Consultants and clients work together to define the change project's objectives and plan the intervention actions that achieve these objectives (Harrison 1994).

The seventh step is the action phase. This is when the organization changes from one state to another. New processes, procedures, and reorganized structures are installed. A transition period may be required if all of

the changes cannot be implemented simultaneously (Cummings and Worley 2001). Consultants guide the organization through the change intervention. With the iterative nature of this process, interventions often move back and forth between stages as new data is gathered and analyzed during the action phase (Harrison 1994).

In the eighth and final step, data is gathered after the change action is complete. This feeds the cyclical aspect of action research model. The data is used to measure the effects of the change on the organization. Feeding this information back to the organization may lead to new change action (Cummings and Worley 2001).

Most current approaches to organizational development and planned change are based on the action research model. It has been used in many different types of change situations. It is used to promote social change when it is used in community development projects. Unlike early adaptations, contemporary uses of the action research model include more involvement from the client's organization members. In the beginning, consultants were responsible for executing most of the change. Now, organization members are more in the forefront of change. This helps the organization understand more about itself and

eventually it is able to deal with future changes with its own internal resources (Cummings and Worley 2001).

This focus on gathering information makes the action research model a learning experience for both the consultant and the organization's members. In this co-learning environment, neither the consultant nor the members of the organization take a dominant role in the change process. Each brings unique information and expertise to the process. This collaboration is used to determine the best way to change the organization. Consultants bring expertise in diagnostic instruments and intervention techniques (Cummings and Worley 2001).

### Transformational Change

In order to understand transformational change, one must understand the antithesis of the transformational process. This is called the transactional process. It focuses on the exchange between leaders and their followers. Examples of transactions are; politicians who win votes by promising not to increase taxes, managers who offer promotions to employees who surpass their goals, and teachers who give grades for completing work (Northouse 2000). There is a transitory aspect to transactional leadership. Once a transaction is complete, the

relationship between the leader and the followers may end or be redefined for the next transaction (Lussier and Achua 2001). In stable, repetitive situations, the transactional process maintains the status quo. It establishes a relationship between the leader and followers where the leader clearly defines objectives and rewards followers for obtaining those goals. Leaders and followers can accurately predict outcomes for themselves and each other.

Weaknesses associated with transactional leadership include the fact that it is difficult to introduce change in organizations where it is used. The transactional nature of this style of leadership fosters short-term relationships between leaders and followers.

The Transformational process became popular with a work titled *Leadership* by political sociologist James MacGregor Burns in 1978. Burns linked the roles of leaders and followers. Instead of looking at leadership as a power-wielding position, he considered it inseparable from the needs of the followers (Northouse 2000). Lussier says that:

Transformational leadership focuses on what leaders accomplish, rather than on a leader's personal characteristics and followers' reactions. As organizations continue to face global challenges, the

need for leaders who can successfully craft and implement bold strategies that will transform or align the organization with the level of environmental turbulence is ever greater (Lussier and Achua 2001, p. 381).

The transformational process is focused on change.

Lussier defines it this way:

Transformational leadership serves to change the status quo by articulating to followers the problems in the current system and a compelling vision of what a new organization could be (Lussier and Achua 2001, p. 382).

The transformational leadership process engages with others to raise the level of motivation and morality in both the leader and the followers. Transformational leaders motivate behavior in their followers that supports the greater good instead of their own self interest. (Northouse 2000).

Transformational change is a systemic and revolutionary change to an organization's culture and design. The fundamental elements that define the organization are altered. Transformational changes often occur rapidly so that they are not stalled by politics or individual resistance. In transformational change, the

majority of the individuals in an organization must change their behavior (Cummings and Worley 2001).

Organizations typically experience periods of smooth operation and growth. During these periods of evolution, incremental change occurs as part of the normal growth of the organization. However, external or internal changes in the environment often cause existing structures to become ineffective. When this happens, successful firms engage in transformational change projects as a response to these threats to survival. These rapid transformational shifts in structure, culture, and process allow the organization to return to a period of smooth operation and growth until the next period of required transformational change. The faster an organization can get through the transformational period, the sooner it can take advantage of the changes and return to a smooth period of operation (Cummings and Worley 2001).

Transformational change is driven by senior executives and line management. They are responsible for the strategic direction and actively lead all phases of the organization's change process. Existing managers often are not well suited to lead a transformational change. Because of this, they are often replaced by outsiders who are specifically recruited to lead change. Research shows that

externally recruited executives are three times more likely to initiate transformational change than existing executive teams (Cummings and Worley 2001)

There are several strengths to the transformational approach. There is a lot of research to support it. It is appealing to people because they like the idea of the leader being the lead change agent providing the vision of the future. It treats leadership as a process between leaders and followers. It includes followers in the process of leadership. The transformational approach includes not only the transactional elements of rewards, but also the leader's attention to the growth and needs of the followers (Northouse 2000).

Transformational leaders are usually brought into an organization in trouble to affect a turnaround. They must communicate the need for change, create a new vision, manage the transition, and institutionalize the change (Lussier and Achua 2001).

Executive leadership has three key roles in transformational change. The first is envisioning. This involves articulating the new strategic direction and standards for performance. The second is energizing. Executives must demonstrate excitement for and be examples of the expected change. The third is enabling. Leaders



must provide the resources necessary to accomplish the change by developing new management practices and using rewards to reinforce new behaviors (Cummings and Worley 2001).

### Analysis of Change Theories

Lewin's change model and the action research model both have steps in which planned change occurs. Lewin's model breaks the change process down into three steps. The action research model breaks it down into eight steps. Although the number of steps is different, there are three common phases in each of the models. The flowchart in Appendix 1 depicts these phases.

In the first phase, preliminary research is done to diagnose the current situation. Opportunities for improvement are identified and the new end state is identified. In Lewin's model, this is called unfreezing. In the action research model, this activity is included in the problem identification, consultation, and data gathering steps. In the action research model however the role of the consultant is more defined and formal. The introduction of the external consultant is included in the initial step. In Lewin's model, internal change agents can perform the same function as the organizational development

practitioner. The focus is on the change function, not the roles of the consultants and the organization members. In both models, the output of this phase is a proposed end-state, an action plan, and a mandate for change that can be communicated throughout the organization.

In the second phase, the change actually occurs. Lewin's model refers to this as moving. The change is included in the feedback, joint diagnosis, action planning, and action steps of the action research model. In Lewin's model, the leadership of the organization or the consultant can play a dominant role in making the change happen. An environment is created where the changed behavior is accepted and encouraged. In the action research model, the consultant works with the members of the organization. Continuous planning, diagnosis, and feedback guide the organization's movement to the new state. Again, the consultant plays an important role in leading the group through the process of change.

In the third phase, the changes are solidified. In the Lewin model, this is called refreezing. In the action research model, this is called data gathering after the action. In the Lewin model, changes are solidified by making the organization's members feel comfortable with their new, changed roles. Feedback is given to help the

newly defined parts of the organization work well together. In the action research model, this solidification is an iterative process. The continual process of feedback and analysis solidifies the changes as they occur. Data is gathered from each change action and included in the analysis of each next step. Again, as in the two phases mentioned before, the action research model focuses on defining the roles of the consultant and the organization's members. Lewin's model focuses on the change process itself.

When considering the process of transformational change, one must consider how transformational change occurs. An organization's leadership must articulate the need for change. The current state must be well defined and the reasons why this state is a threat to the survival of the organization must be clearly stated. This creates the sense of urgency. Leadership must also articulate a vision for the new end-state and why this new, proposed state is better for the organization than the present or past states.

Transformational leaders are often brought into organizations to affect change. In these cases, the agent for change comes from within the organization. The leader

may engage a change consultant, but the leader is seen as the instigator.

Both Lewin's Change Model and the Action Research Model can be used to affect transformational change in organizations. The Action Research model allows for a more iterative change process. The eight step process includes continual analysis that facilitates adjustments in the organizational change plan. As each change is introduced, its effect on the organization can be assessed to ensure that the desired results are achieved. This assessment can allow the change agents to go back and readdress issues from the prior change, modify the plan for the next change, or add additional change activities. Transformational change works best when it happens rapidly. In a transformational environment, one needs to ensure that the change process does not become stalled. Constant reevaluation could lead to delays that prevent the organization from returning to a period of smooth operation. Leadership must put mechanisms in place that resolve issues quickly so that resistance and internal politics do not take over and undermine the change process.

When using Lewin's model, there is less opportunity for reassessment during the change process. Analysis and planning prior to the change event allows an organization's

leadership to clearly communicate an end state and develop a plan to achieve it quickly. Once the organization is unfrozen, and progresses into the moving phase, rapid implementation of the new organizational structure and processes allows the organization to refreeze and get back to stable operations. For this to occur, leadership must be prepared with the information needed to make the organization's members comfortable with the planned changes and feel confident that they will be successful. Since continuous assessment is not part of the change process, confidence in the leadership and the new end state is important to keep a resistance movement at bay. Transformational change is linked tightly to an organization's leadership. Once the proper leadership team is in place, and confidence is established in the leadership, the Lewin model could work well in a transformational environment.

#### Summary And Conclusion

When considering organizational change models in the context of transformational change, one must assess the applicability of the models on the organization to be transformed. Several factors must be considered before deciding on an approach. It is the responsibility of the

change practitioner to assess each individual situation and design an approach.

Transformational change is dependent on an organization's leadership. Many times, a company's leadership is not experienced in transformational change skills. Often, new leadership is brought into an organization to lead it through a transformational change. Skilled leadership is required at all levels of an organization for change events to be successful. The organizational change consultant must assess management's skill level and make appropriate recommendations. The skills of the organization's leadership may dictate the level of involvement required by the change consultant.

Before transformational change can begin, the current situation must be analyzed. Responses to environmental elements that threaten the company's future must be developed. New organizational structures and processes that better address the current environment must be devised.

Once the new organization is defined, the transformation must be planned. It is critical to lay out the change process to minimize any potential risk to the business's operations. This planning requires that analysis is done early in the process to ensure that the

new, transformed organization better addresses the company's environment. The amount of up-front planning affects how the change is approached later in the transformation project.

An organization's leadership team must clearly communicate to everyone in the organization. In transformational change events, everyone is required to change. The leadership must create confidence in the change. Everyone must know what is going to change and what is going to remain the same. The plan must be articulated and everyone must understand how the new organizational design addresses the threats to the company and how this design is better than the past or current designs.

The amount of analysis and the degree of communication in the organization will have an effect on the speed with which the transformation can be completed. Fully informed and properly motivated people can work with good leaders to affect transformational change successfully. The change practitioner can take a less prominent role in organizations that are well staffed and have planned well. Speed is very important during transformational change because of the disruptive nature of it. During the process, the company's performance is at risk because

established structures and processes are no longer in place and the new ones are not firmly established.

When applying Lewin and Action Research methods, the change practitioner must assess the individual company's situation. Both methods are similar, but the Action Research Method is more granular. Looking at the factors mentioned, a change readiness assessment can be done to determine what elements of each method are applicable to a given situation. Better leadership, analysis, planning, and communication prior to starting the change project can result in using a less granular approach. Less granularity during the actual change can result in a faster implementation reducing cost and risk. The benefits of the transformation are realized more quickly.

Using the flowchart in Appendix 1, one can assess the level of granularity associated with each phase of the change. A combination of the two methods can be devised to fit an organization's individual needs. If enough analysis and planning occurs prior to the change event, then using Lewin's approach can increase speed in the first and second phases. It could also allow for a faster move through the solidification phase and allow for adjustments in the new organization to take place as incremental changes during the normal course of business.



When comparing Lewin's model with the Action Research Model, one notices that the change event ends in the solidification phase of the Lewin model. Once the organization refreezes with its new processes and structure, it can focus on getting back to smooth, stable operations. In the Action Research Model, the organization doesn't actually refreeze. The process continues to loop as data is gathered after each action and feedback is given to the stakeholders. Without a defined ending point, the change practitioner must be careful not to get stuck in a pattern that evolves into incremental change. Transformational change should begin, execute, and end.



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RUNNING HEADER: Principles of Leadership

AMDS 8622 - KAM 6 Depth

**AMDS 8622: Current Research On a Model of Organizational  
Change**

Walden University

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Ph.D. in Applied Management and Decision Science

Leadership and Organizational Change Management

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Annotated Bibliography

Abraham, R. (2000). "Organizational Cynicism: Bases and Consequences." Genetic, Social & General Psychology Monographs **126**(3): 269-292.

The author of this article addresses the phenomena of cynicism and its effects on employee performance, relationships, and organizational change initiatives. Cynicism occurs when the members of an organization lose faith in its leaders.

Organizational change cynicism is a reaction to a pattern of failed change efforts. Pessimism toward future change efforts works as a defense mechanism against the disappointment of those change efforts failing.

Research for this article comes from a review of current literature on the subjects of occupational cynicism, organizational psychology, leadership, and employee burnout. Additional data is provided by a survey of 69 employees from varying industries. Different types of organizational cynicism are reflected in questions assembled from various instruments.

Axelrod, R. H. (2001). "Terms of engagement: changing the way we change organizations." Journal For Quality & Participation **24**(1): 22-27.

In this article, the author explores the idea that the current change management paradigm is ineffective and actually leads to resistance. The author lists six factors that lead to ineffectiveness. Four key principles are offered as the solution and basis for revamping the change management process.

Research for this article appears to be based on the experiences of the author. He is an organizational change practitioner and is the founder of his own company. The article is based on excerpts from his book *Terms of engagement; Changing the way we change*.

This article is relevant to my research because it establishes new ideas for the way organizational change is accomplished. It offers a basis for critically evaluating existing change theories.

Baron, J. N., M. T. Hannan, et al. (2001). "Labor Pains: Change in Organizational Models and Employee Turnover in Young, High-Tech Firms." American Journal of Sociology **106**(4): 960-1012.

In this article, the authors address the issues associated with employee turnover during periods of organizational change. The authors studied turnover in companies who changed their business models after startup. The study focused on the relationship between change and turnover of high-tenured employees.

Research for this article comes from a review of literature on the subject as well as surveys and interviews conducted by the authors. Hypothesis were stated and scientific research was conducted to support the hypothesis. The study concludes that changing an organization's blueprint increases turnover among long-tenured employees and, this turnover has a negative effect on organizational performance.

This article is relevant to my research because it takes a scientific approach to studying organizational change and how it relates to employee turnover.

Bennett, J. L. (2001). "Change happens." HRMagazine **46**(9): 149-153.

The author of this article explores issues associated with employees' acceptance of changes in an



organization. He attempts to summarize responses to change and how individuals react differently. He offers several suggestions for managers to use to help deal with employees as individuals during a change event. He also offers suggestions to help employees deal with change.

Research for this article comes from the author's experience in the field of organizational change. He is the president of a management consulting group that works with companies undergoing change. Much of the information presented in the article is the opinion of the author.

This article is relevant to my research because it deals with acceptance issues during an organizational change event. It establishes the existence of certain types of employee reactions when change occurs or is attempted.

Breu, K. (2001). "The role and relevance of management cultures in the organizational transformation process." International Studies of Management & Organization **31**(2): 28-47.

In this article, the author reports on a study of state-operated German organizations that underwent

change. Different management models were studied and the effects on change was recorded as the organizations adopted more western-like systems. Issues of culture and the effects on how change is accomplished in the East German culture are examined.

Research for this article comes from a review of literature on the subjects of Eastern European culture and organizational change. Data was gathered through interviews and company documents. Analysis was conducted to categorize management models and change processes.

This article is relevant to my research because it explores the link between social culture and the way it affects the change process. It also brings in additional social and economic perspectives from which to study change.

Castelloe, P. and T. Watson (2000). "The Participatory Change Process: a capacity building model from a US NGO." Development in Practice **10**(2): 240-244.

The authors of this article explore the participatory change process as a model for achieving organizational change in a community situation. This process focuses on the promotion of change from the

grass roots level. The article references the Triple-A methodology which is a systematic process for planning and prioritizing development projects.

Research for this article comes from a review of literature on the subjects of Triple-A methodology and social development. The authors also include information from their experiences in community and social change.

This article is relevant to my research because it introduces an additional methodology for promoting change. It also brings the broader perspective of organizational change in a social, community setting.

Cooley, R., A. Jackson, et al. (2001). "E-commerce, Location and IT Aspects of Kent Cancer Centre Network." Information & Communications Technology Law **10**(3): 293-298.

In this article, the authors examine the organizational changes required when introducing new technologies to business processes. The article explores the link between business process reengineering and organizational change. The focus of the article is on changing an organization to better serve an e-commerce market.

Research for this article comes from a review of current literature on the subjects of electronic commerce and healthcare service delivery. A review of the situation that exists in the current organization and the requirements for the future state is also included.

This article is relevant to my research because it establishes the link between business process reengineering and organizational change. It also establishes the link between these traditional subjects and the contemporary subject of e-commerce.

Dutton, J. E., Ashford Susan J., et al. (2001). "Moves that matter: Issue selling and organizational change." Academy of Management Journal **44**(4): 716-736.

The authors of this article examine the effects of how issues are sold at varying managerial levels in organizations and how effective selling influences the change process. The authors contend that knowledgeable behavior from those that know what works in an organization greatly influences the change initiatives that will be acted upon.

Research for this article comes from a review of current literature on the subjects of organizational

behavior, decision making, strategic management, and administration. Additional data was gathered about individual selling events and specific behavior associated with those that were successful and those that were unsuccessful.

This article is relevant to my research because it explores the real-world environment of selling ideas in a corporate setting. It introduces this selling activity as an early stage of organizational change.

Edwards, T. (2000). "Innovation and Organizational Change: Developments Towards an Interactive Process Perspective." Technology Analysis & Strategic Management **12**(4): 445-464.

In this article, the author explores how the Interactive Process Model can be better adapted to dealing with organizational changes associated with innovations. This is the process through which new ideas and practices are developed and reinvented. The paper focuses on a technology transfer example. The author found that organizational politics is a defining aspect of the innovation process. Using the interactive process perspective, organizational

politics is set aside and better interaction between employees and management is possible.

Research for this article comes from a review of current literature on the subjects of technology and restructuring, industrialization and technology, and social structure. Additional empirical data from a case study of UK's Teaching Company Scheme is also included.

This research is relevant to my research because it addresses issues associated with introducing innovative processes in an organization. It provides an application of the Interactive Process Model in a business organization.

Feldman, D. C. (2000). "The Dilbert Syndrome." American Behavioral Scientist **43**(8): 1286-1300.

The author of this article explores the cynicism that is growing among employees of large organizations. As these employees lose faith in the effectiveness of management, changes in organizational development techniques are required to address how employees shift their loyalties to developing their individual careers independent of their careers at the companies in which they are employed. This has

resulted in a desire for employees to develop highly transportable skills.

Research for this article comes from a review of current literature on the subjects of career management, organizational staffing, and organizational downsizing. The author frames the research around the themes made popular by the Dilbert cartoon series.

This article is relevant to my research because it establishes that contemporary organizational development issues are making their way into popular culture. It links research on organizational development to contemporary attitudes toward business organizations.

Gallivan, M. J. (2001). "Organizational adoption and assimilation of complex technological innovations: Development and application of a new framework." Database for Advances in Information Systems 32(3): 51-85.

In this article, the author explores the unique issues associated with introducing new technology in an organization. He states that when employees are required to adopt technology chosen by an authority figure, a more contemporary approach is needed to

adoption and assimilation techniques. This study focuses on the development of new theories of organizational change that focus on the unique situations that present themselves during technology implementations.

Research for this article comes from a review of current literature on the subjects of technology adoption, organizational process research, and innovation adoption. A survey was also conducted in several large firms that implemented client/server software. Information technology workers as well as software users were surveyed and interviewed.

This article is relevant to my research because it focuses on the change management issues associated with the implementation of new software at large companies. It focuses on a hybrid change model which combines traditional innovation adoption models and organizational-level research on technology implementation.

Herman, S. (2001). "Counterpoints: Notes on OD for the 21st century-part II." Organization Development Journal **19**(1): 115-118.



The author of this article explores changes in organizations that are driven by the introduction of new information technologies in the workplace. The author shows how organizational development consultants must deal with dramatically changed structures, processes, and values as new technologies are introduced. Leadership strategies are replaced and business processes are redesigned. Strategic thought becomes an ongoing process and the reflexes of the business become instantaneous. Organizational members learn high-speed multitasking and collaboration using new high-tech tools.

Research for this article comes from selected writings of organizational development consultants and business leaders. A bibliography is not provided with the article, but some specific literature is mentioned.

This article is relevant to my research because it establishes the perception, within the organization community, that technology-driven changes produce unique challenges for the consultant. It helps build a foundational perspective from which to do additional research on the subject.

Hopkins, S. A., W. E. Hopkins, et al. (2002). "Transforming low-tech environments into high-tech environments: Strategies and developmental barriers." S.A.M. Advanced Management Journal **67**(1): 14-21.

In this article, the authors investigate strategies and issues associated with the transformation of an organization from a low-tech to a high-tech environment. The authors define low-tech environments as those with low research and development spending, product-driven strategies around commodity products such as rubber and steel, and bureaucratic organizational structures which include unions and labor contracts. High-tech environments are defined as those that invest in research and development, adopt technology-intensive strategies around products such as computers, and easily adopt organizational changes as a normal part of the organizational routine. The article explores cultural, human resource, and geographic factors.

Research for this article comes from a review of current literature on the subjects of organizational development, strategy development, and labor management. The authors also include information from

their experiences in academia and organizational consulting.

This article is relevant to my research because it looks at organizational change from the perspective of a specific change-need. The authors explore the specific issues associated with technology-driven change.

Jamison, C. (2001). "Passion and Practice: Change Agents Living In an Organization." Journal For Quality & Participation **24**(1): 34-38.

The author of this article explores how change consultants can get to know their clients better and how this in-depth knowledge can make them more effective change agents. The author describes how consultants can "live in" their clients' systems to understand how the organization works and relates to itself and what opportunities exist for improvement. This requires a willingness on the part of the consultant to start fresh with each new client without bringing in preconceived notions about what exists.

Research for this article comes from the author's experiences as a change consultant. She is the

president of a consulting company and has written several articles on diversity and downsizing.

This article is relevant to my research because it establishes perceptions in the consulting industry about how consultants interact with their clients.

Jung, D. I. (2000-2001). "Transformational and Transactional Leadership and Their Effects on Creativity in Groups." Creativity Research Journal **13**(2): 185-195.

In this article, the author studies transactional and transformational leadership. The article explores how leadership and creativity are linked. The article asserts that transformational leaders generate more innovative ideas from those they lead than transactional leaders.

This article is relevant to my research because it contrasts two different leadership styles. Scientific data is presented in the form of an academic dissertation.

Research for this article comes from a literature review as well as data generated from studying two groups. One hundred ninety-four undergraduate students were studied as part of this research. I

liked this article because it seemed to use scientific methods to generate and analyze data.

Kirkman, B. L. and D. L. Shapiro (2000). "Understanding why team members won't share." Small Group Research **31**(2): 175-209.

In this article, the authors investigate the factors that affect how employees accept team-based reward systems. With more organizations utilizing work teams, there is the need to reward performance based on objectives being met by teams of people from different functional areas of the organization. The research studies the effect of collectivism, preference to team cultures, and commitment on individual receptiveness to team-based reward systems.

Research for this article comes from a review of current literature on the subjects of organizational psychology, incentive programs, and organizational change. Also, 618 employees of Fortune 500 insurance companies were surveyed. This article seemed very well researched and supported by first hand research.

This article is relevant to my research because it provides research into organizational changes associated with changes in compensation plans. It

also provides information on factors associated with changing compensation plans to better support desired organizational changes.

Lillrank, P., A. B. R. Shani, et al. (2001). "Continuous improvement: Exploring alternative organizational designs." Total Quality Management **12**(1): 41-55.

The authors of this article explore the subject of continuous improvement and the organizational change efforts associated with it. They also investigate the link between total quality management and continuous improvement. The article incorporates some of the concepts of Lewin's theory in the context of continuous improvement.

Research for this article comes from a review of literature on the subjects of organizational change and total quality management. A review of case studies from industry is also included.

This article is relevant to my research because it explores the real world example of incremental change and total quality management. It explores the issues associated with quality improvement as the driver for change.

Mann, D. W. (2000). "Why Supervisors Resist Change and What You Can Do About It." Journal For Quality & Participation **23**(3): 20-22.

In this article, the author explores the subject of resistance. He points out that many times, the people in critical change-support positions actually are the ones who resist it. The author explores what makes supervisors uncomfortable with change and how unrealistic expectations contribute to the resistance. He asserts that training and communication are the ways of dealing with these issues.

Research for this article comes from the author's experience in the field of organizational change. He has a PhD and is an organizational psychologist.

This article is relevant to my research because it addresses the issue of change resistance. It offers ideas on research that could be performed to determine why managerial personnel are uncomfortable with organizational change.

Maurer, R. (2000). "Creating a shift." Journal For Quality & Participation **23**(5): 64.

The author of this article explores how communication can be used to counter the resistance to

change. He offers techniques for planning change and conducting meetings in which change is discussed.

Research for this article comes from the author's experience in the field of organizational change. It includes excerpts from his book entitled *Building capacity for change sourcebook*.

This article is relevant to my research because it establishes a link between communication and the change process. It provides anecdotal examples that can be used as a foundation for more scientific research.

Maurer, R. (2001). "Build a foundation for change." Journal For Quality & Participation **24**(3): 38-39.

In this article, the author looks at the high rate of failure in organizational change efforts. He discusses an approach that builds a foundation for change. This is accomplished by performing a change readiness assessment. A questionnaire is included in the article as a proposed way of starting the process.

Research for this article comes from the author's experience in the field of organizational change. It includes excerpts from his book entitled *Building capacity for change sourcebook*.



This article is relevant to my research because it acknowledges that there are risks involved in making organizational changes. It also provides a framework for a readiness questionnaire that can be evaluated against other instruments.

Roepke, R. (2000). "Aligning the IT human resource with business vision: The leadership initiative at 3M." MIS Quarterly **24**(2): 327-353.

This article describes the transformation of Information Technology Leadership at 3M corporation. It includes the realignment of the organization as well as the training and development of the leadership. The article also describes changes in the recruitment practices of the Human Resources department.

This article is relevant to my research because it focuses on transformational leadership in information technology.

Research for this article comes from a review of published literature. In addition to the literary review, surveys were conducted with 3M employees.

Sharkey, L. D. (1999). "Changing organizational culture through leadership development: A case in leadership transformation." Organization Development Journal 17(3): 29-37.

In this article, the author explores how the development of leaders can be used to change an organization's culture. Measurements of cultural change are presented for organizations who invest in leadership training. Conclusions are drawn about how leadership training affects cultural change. The author also makes some assumptions about leadership turnover.

This article is relevant to my research because it addresses both leadership and organizational change. It establishes a foundation for exploring correlations between leadership and culture.

Research for this article comes from a review of published literature as well as data gathered through a survey. The Organizational Culture Inventory (OCI) was used as the primary survey instrument.

Van Aken, E. M. and R. L. Groesbeck (2001). "Integrated organizational assessment process and tools: Application in an engineer-to-order company." Engineering Management Journal **13**(4): 17-26.

The authors of this article describe an organizational assessment methodology which includes the collection of quantitative and qualitative data from organization members. The purpose of the assessment is to accurately define an organization's current state for the purpose of defining a desired future state. The subject of the study is an engineer-to-order organization whose leaders have decided to use transformational change methods to dramatically improve performance.

Research for this article comes from a review of current literature on the subjects of leadership and transformational change. Literature on the Malcolm Baldrige Quality Award criteria is also used. Data is provided for analysis using the Baldrige self-assessment questionnaire.

This article is relevant to my research because it provides a perspective on several aspects of organizational change. First, it is concerned with transformational change. Second, it focuses on the

first stage of transformational change which is to define the current state. Third, it introduces the idea of using the Malcolm Baldrige criteria as a research tool.

Van Den Berg, A., A. C. Masi, et al. (2000). "Manufacturing Change: A Two-Country, Three-Industry Comparison." Acta Sociologica **43**(2): 139-156.

In this article, the authors focus on technological and organizational changes in manufacturing industries. The article deals specifically with the introduction of new technologies and the organizational changes associated with them. Data is gathered and analyzed to explain reactions and obstacles to change. Three industries in two countries are studied. The authors are able to compare differences in the data based on geography and industry.

Research for this article comes from a review of literature on the subjects of economics, labor unions, productivity, and industrial relations. Many of the references pertain to the subject matter from the perspective of the individual country being studied. Additional data is provided from survey interviews.

This article is relevant to my research because it provides data on employee attitudes and barriers to change. It provides a multinational perspective across several industries.

Wong-Mingji, D. J. and W. R. Millette (2002). "Dealing with the dynamic duo of innovation and inertia: The "in-" theory of organization change." Organization Development Journal 20(1): 36-52.

In this article, the author explores the "in-" theory as a conceptual model for managing the complexities of organizational change. Using the "in-" theory, the two opposing forces of innovation and inertia are used to conceptualize the things that create tension during an organizational change event. The theory states that interactions between innovation and inertia generate organizational tensions. These tensions lead to organizational change.

Research for this article comes from a literary review of books and articles on the subject. The authors provide a summary of lessons learned and a conclusion.

This article is relevant to my research because it addresses the subject of organizational change and

the multiple complexities that occur during a change event in a large organization.

## Background

Organizational change is motivated by some action. This motivation starts as an awareness and then action. Organizations see these motivations in the environment in which they operate. Change can be motivated by competition, new technology, changes in government regulations, or failures within the organization itself (Anderson and Anderson 2001). For example, western businesses that are expanding into East and West Germany must learn to deal with different cultures and histories within the same geographic region as well as governmental issues different than those in the west. (Breu 2001). Many companies have implemented new organizational structures because of widespread downsizing (Kirkman and Shapiro 2000). High-tech firms need technology workers such as engineers, programmers, and system analysts. Lower-tech organizations must deal with the issues associated with the quality and availability of these human resources in their environments (Hopkins, Hopkins et al. 2002).

Change is driven by a sequence of triggers. Each trigger requires a response or change from the other triggers that it affects. Dean and Linda Anderson describe seven attributes that trigger or drive change. The first is the environment. These are the larger forces within

which people and organizations operate. These forces include social, economic, political, governmental, demographic, and natural. The second trigger is the marketplace's requirements for change. These include the customers' requirements for a business to succeed in a given marketplace. The third is business imperatives. These imperatives outline the strategic moves the company must make to be successful. The fourth trigger is the organizational imperatives. These are the changes required in the organization's structure, systems, processes, technology, and skill base to achieve its business imperatives. Cultural imperatives are the fifth trigger. These are the collective ways of working and relating in the company that must change to support the organization's new design. The sixth trigger is leader and employee behavior. This is the collective behavior that creates and expresses an organization's culture. The final imperative is leader and employee mindset which includes the mental models that cause people to behave the way they do (Anderson and Anderson 2001).

### Types Of Change

Organizational development and change practitioners describe first-order and second-order change. These are



often referred to as transactional change and transformational change. In first-order change, also known as evolutionary, adaptive, incremental, and continuous change, the fundamental nature of the organization remains the same. In second-order change, the fundamental nature of the organization is substantially changed. Second-order change is also known as revolutionary, radical, and discontinuous change. There is an increasing emphasis in organizational development programs on second-order change (French and Bell 1999).

The scope of the change required determines the extent of the type of change needed. Minimal marketplace and environmental changes may only dictate content changes. Developmental or transitional changes may be called for to address organizational imperatives but not cultural ones. Transformational change is dictated when marketplace and environmental changes are so great that content, culture, and people must change and all triggers are affected (Anderson and Anderson 2001).

There is a distinction between organizational climate and organizational culture. Organizational climate describes the people's perceptions and attitudes about the organization. For example, this includes whether the environment is good, bad, friendly or easy-going.

Organizational culture describes the deep-seated assumptions, values, and beliefs of the organization. The climate is relatively easy to change because it is built on the employees' reactions to the actions of management and practices of the organization. Culture is more difficult to change because it is affected by the mission, strategy, and leadership of the organization (French and Bell 1999).

Three types of change occur in organizations. They are developmental change, transitional change, and transformational change. Developmental change represents the improvement of existing skills, methods, and performance standards. Transitional change is more complex. Instead of improving the current situation, it replaces the current situation with something completely different. Transformational change is the most complex. It is a radical shift so significant that it requires a change in culture, behavior, and mindset to successfully implement and sustain (Anderson and Anderson 2001). This requires commitment from a critical mass of the organization's members (Carter, Giber et al. 2001).

### The Role Of Leadership

To engage the internal and external people and resources required for transformational change, leaders

must hear and assimilate four levels of wake-up calls. In the first level, leaders recognize that the status quo is no longer effective and that change is necessary. In the second level, leaders recognize that the change is transformational and that the process of transformational change is different than that of developmental or transitional change. The third level is the realization that transformation requires new strategies and practices. The fourth level of wake-up call is when leaders realize that transformation requires them to change, personally, and that their behaviors and mindsets must change to successfully lead transformation. After hearing the fourth level call, leaders acknowledge that they must become the model of the desired change by transforming themselves. Successful transformation is dependent on the leaders' ability to create and maintain a conscious awareness for change (Anderson and Anderson 2001).

The role of leadership is important during periods of wide-scale change. Warner Burke says "There is no substitute for visionary leadership in times of change. By definition, if there is leadership there is followership" (Carter, Giber et al. 2001, p. 8). The two distinct styles of leadership are transactional and transformational. Transformational leaders inspire

followers to work toward the good of the organization as a whole without the concerns of self-interest. This raises the performance of the individuals. Transactional leaders motivate followers toward the accomplishment of established goals. This leads to normal individual performance.

Transactional leaders can accomplish first-order change.

Transformational leadership is needed to accomplish second-order change (French and Bell 1999). Organizational

revitalization requires transformational, not transactional leadership. Transformational leaders engage in at least

three kinds of activity. These are; the creation of vision, the mobilization of commitment to the vision, and the institutionalization of change. Leadership is an enabler of organizational change (Roepke 2000). Robert

Lussier describes leadership's role this way:

Transformational leadership serves to change the status quo by articulating to followers the problems in the current system and a compelling vision of what a new organization could be (Lussier and Achua 2001, p. 382).

Followers of transformational leaders think of old problems in new ways (Jung 2000-2001).

Leadership behavior, during transformational change, is affected by the approach that is taken to accomplish it.

Reactive and conscious are two different approaches. As an organization's leadership learns more about the necessary changes, the more they move from reactive to conscious in their approach (Anderson and Anderson 2001).

### Reactive Approach

The reactive approach to leading transformation is the most common. This is an unintentional phenomenon as leaders automatically react in habitual ways to events that happen. When this happens, managers do not adequately analyze the situation and therefore do not understand that a transformational approach is needed and that this approach is different than developmental or transitional change. The failure to recognize this limits success and contributes to most failures. Reactive leaders are slow to heed the wake-up calls. They have strong denial mechanisms. They often resist or deny the needed changes by explaining away the signals for change. This is often done unconsciously. Once marketplace conditions become so severe that the organization's survival is threatened, reactive leaders respond quickly to regain their comfort and sense of control. Because they do not understand the differences in change strategies they often respond with

the wrong approach (Anderson and Anderson 2001). Dean Anderson puts it this way:

They will typically attempt classic problem-solving and project-management techniques, training, and improving communications, each of which has value, but is not sufficient for leading transformation.

Reactive leaders attend mostly to the surface symptoms they face, seldom addressing the underlying root causes (Anderson and Anderson 2001, p. 61).

These efforts often produce temporary results because they do not address systemic causes or provide real change solutions (Anderson and Anderson 2001).

The reactive approach often leads to low morale in the employees. Front line employees often see the effects of leadership denial and inadequate change plans. They are often the first to see the inevitable failure of these plans. The employees are threatened because they feel that their personal security is dependent on the organization's ability to transform, and they do not expect change efforts to succeed. They feel like they are spinning their wheels as numerous, non-integrated change initiatives are thrust upon them without adequate planning or communication. These efforts strain the organization's resources and often require extra and duplicate effort on the part of the

employees (Anderson and Anderson 2001). Anderson provides another analogy:

When change continues to be poured into a saturated sponge, the consequences are threefold:

- (a) morale deteriorates;
- (b) the initiatives that are attempted result in only short-term superficial application of the intended goals; and
- (c) people stop listening to the leaders, who continue to announce changes that never fully materialize (Anderson and Anderson 2001, p. 64).

The popularity of the Dilbert cartoon series shows that many employees identify with the cynicism that it depicts (Feldman 2000). The impact of this is a reduction in organizational and employee productivity, quality, morale, and customer relations (Bennett 2001). In some cases, companies that drastically changed their business models experienced high levels of employee turnover (Baron, Hannan et al. 2001).

Leaders must be aware of employee perceptions, especially if there have been a number of failed attempts to introduce change. As employees lose confidence in their leaders, organizational cynicism begins to set in.

Organizational cynicism diminishes organizational commitment, which is the product of the exchange between the employee and the organization. If employees begin to feel that their skills are not being productively used and their basic needs met, then making future innovations becomes more difficult (Abraham 2000).

### Conscious Approach

The conscious approach, while not the most common, is the more desirable. Conscious leaders create innovative change strategies through their awareness of human and process transformation. They are able to recognize personal and organizational shortcomings and choose more effective alternatives (Anderson and Anderson 2001).

Change leaders must recognize that some of the resistance to change is, in fact, the organization's application of its experiences and prior knowledge. Some of this inertia can be used as an organizational learning opportunity to assess changes as they occur and leverage this experience for innovation (Wong-Mingji and Millette 2002). This addresses the problem that leaders have accepting change. They have learned not to speak out until they know all the facts, because failure to do so makes them look bad (Mann 2000). Transformational change strategies can be adjusted



to address unforeseen problems. Unlike the reactive approach which operates in reaction to the environment, the conscious approach works in partnership with the environment and wake-up calls are viewed as feedback to guide decision-making. Conscious leaders seek wake-up calls for change. The three most critical areas leveraged by conscious leaders are marketplace dynamics, people dynamics, and process dynamics (Anderson and Anderson 2001).

Anderson discusses ten principles of conscious transformation that increase consciousness and awareness of transformational dynamics. The first principle is to promote what is best for the whole system as one integrated entity. Each change initiative must be linked to the organization's primary transformation objective. The second principle is to interconnect organizational, technical, cultural, and human initiatives. Change leaders must build a collaborative environment that promotes information sharing and shared accountability for enterprise outcomes. Third, change leaders must attend to the internal and external realities of internal dynamics and the external forces marketplace and environment. Fourth, change leaders must understand how the past influences the present and how current decisions and

actions affect the future (Anderson and Anderson 2001). External change consultants should spend time with client organizations to understand these dynamics (Jamison 2001). Changing an organization is one of the best ways to learn about it (Carter, Giber et al. 2001). Transformational change often generates a sense of urgency which, unchecked, can slow the process. Taking the time to establish the proper conditions for success can pay off downstream. The fifth principle is to continuously learn and correct. Change leaders understand that all answers are temporary because new information will surface to improve the answers they currently hold. They focus on learning instead of being right and build learning communities around transformation issues. The sixth principle states that change leaders assume that the resources, time, energy, and opportunity exist within the system or the environment to accomplish the transformation. They seek out and find what they need and, if it does not exist, they acquire it. The seventh principle is to balance planning with current dynamics. Change leaders must be observant and respond to the moment. Plans should be expected to change as learning occurs. Transformational change practices must be designed to support real-time course corrections. Decisions about competing interests must be made in favor of the system as

a whole. The eighth principle states that transformational change leaders lead as if the future, desired culture already exists. This demonstrates to the employees that the new direction is valid and that leadership is committed to it. The ninth principle is the recognition of human dynamics. As the organization lets go of the past, openness and multi-directional communication allows conflicts and "undiscussable" subjects to be brought into the open and resolved. Foundational organizational development practices such as relationship-building, role-negotiation, and team building must be employed to establish bonds across the community that create a more effective way of operating. The tenth and final principle involves the mindset of the organization. Change leaders must explore assumptions and self-limiting beliefs and communicate relevant information to transform the mindsets of themselves and the employees. Transformational opportunities must be created for leaders and employees. Individual development plans must be an integral part of the overall transformation (Anderson and Anderson 2001). Studies also show that team-based rewards work well to motivate individuals and reinforce desired behavior (Kirkman and Shapiro 2000). But, it is up to the top managers in an organization to develop the norms and

structures that promote the behavior that they want (Dutton, Ashford Susan J. et al. 2001). A moderate portion of the senior leaders' compensation should be tied to the success of the transformation initiative (Carter, Giber et al. 2001).

#### Common Areas Of Concern

There are common mistakes made in leading transformation. Too much top-down control is often placed on the change process and the design of the future state (Anderson and Anderson 2001). Many times this can actually increase bureaucracy, cynicism, and resistance (Axelrod 2001). The transformation is viewed as an event instead of a complex, evolving process. Leadership often fails to address the culture, behavior, and mindsets of the employees and themselves (Anderson and Anderson 2001). One technique for addressing these aspects is the Participatory Change Process. This process focuses on grass-roots participation. Techniques such as small-group meetings and brainstorming get the ideas and concerns of the lower organizational levels included in the decision-making of top leaders (Castelloe and Watson 2000). Rick Maurer says:

This disciplined form of communication allows people to learn things about other people and about

themselves. Dialog allows people to explore issues deeply to find underlying values, assumptions and beliefs (Maurer 2000, p. 64).

Many transformations are not scoped accurately by focusing only on organizational design or technology upgrades. Leaders often try to do the least possible in the shortest amount of time while setting unrealistic and crisis-producing timelines (Anderson and Anderson 2001). Changing technology, however, often requires organizations to change their structures in order to take advantage of the new system's potential (Herman 2001). New technology, chosen by authority figures, often requires special change techniques to ensure adoption (Gallivan 2001). Leaders can avoid these common mistakes by becoming more self-reflective, hear all four levels of wake-up calls, and understand the efforts required for real transformational change (Anderson and Anderson 2001).

Carter, Giber and Goldsmith describe leadership's role in the implementation phase of the transformational change process. They describe the following three roles played by a change champion:

The first role is that of the envisioner who articulates a clear and credible vision of the new organization and its strategy and generates pride and

enthusiasm. The energizer, the second role, is someone who demonstrates excitement for change and models the behaviors linked to them. Lastly, the enabler allocates resources for implementing change, uses rewards to reinforce new behaviors, and builds effective top-management teams and management practices (Carter, Giber et al. 2001, P. 526).

For successful transformation to occur, an organization's leadership and employees must change their mindsets (Anderson and Anderson 2001). Organizations should examine their past success rates to help predict the probability of success in future change initiatives (Maurer 2001). Using the ten principles of conscious transformation to guide planning and decision-making, leaders can facilitate a successful change project (Anderson and Anderson 2001). Managers can benefit by analyzing specific design requirements and their alternatives along with their fit to the business situation at hand (Lillrank, Shani et al. 2001). The transformational change methodology includes a structured assessment to collect qualitative and quantitative information from the members of the organization (Van Aken and Groesbeck 2001).

Traditional methods can be leveraged to execute transformation. Standard project management methodologies can be used to create a linear action plan of what needs to be done. However, project management methodologies require stable, closed-system environments to be effective. While project management techniques can be used in isolated applications, they are too linear and inflexible to drive transformational change. System diagrams are useful tools to help identify an organization's underlying structure. Using this type of systems thinking, leaders can identify an organization's leverage points where small, well-focused actions can produce larger desired results. Process thinking tools such as system diagrams help build knowledge about an organization's systems dynamics. Change process models organize actions to alter system dynamics. These two tools, used together, deliver the maximum benefit to the transformational change effort. One should be aware that these types of process maps are different than those used for process mapping in quality and continuous improvement efforts, which are designed to be a snapshot in time and do not work to analyze the systemic effects of changes (Anderson and Anderson 2001).

Transformational change is a process that is disruptive to the organization. Transformational leaders

should understand the punctuated equilibrium model described in a study in the Journal of Management Information Systems (1999). This article references the model which describes organizational change as consisting of long periods of stable infrastructure interrupted by brief periods of revolutionary change. Three distinct features of the punctuated equilibrium are:

1. Deep structure; the set of fundamental choices an organization is made up of. These are the basic parts into which an organization is segmented and the activity patterns within these segmentations.
2. Equilibrium periods; the stability in the organization's structure and activity patterns. Equilibrium consists of maintaining the deep structure. Equilibrium periods are maintained by awareness, motivation, and obligation. As long as an organization's deep structure is intact, it is difficult to change.
3. Revolutionary periods; the major upheaval and reformation of deep structure. For significant change to occur, the deep structure must be dismantled, leaving the organization temporarily disorganized. This period includes a



reconfiguration of the organization with a new set of rules (Lassila 1999).

### Summary And Conclusion

Transformational change, while creating great opportunities for organizational improvement, also introduces an enormous amount of risk. Before entering into a process of transformational change, an organization must recognize the need for it and be prepared to execute quickly.

Leadership must be aware of the internal and external factors that contribute to the survival and growth of the organization. Reactive leaders, who are best at maintaining an organization's status quo, often become aware of the need for transformational change after situations become critical. While not the most desirable approach, it is the most common one. The conscious approach is the most desirable. Conscious leaders are more aware of organizational shortcomings and are able to react sooner when changes are needed.

Most leaders are not experienced in leading transformational change. Some organizations recruit change leaders or engage the services of an organizational development consultant before attempting transformational

change. In order to minimize risks to the organization, it is important to have a critical mass of committed and knowledgeable leaders at all levels of the organization. Development plans must be part of the transformational change plan and reward and repercussion systems must be put in place to encourage the desired behavior.

Change initiatives that fail change the mood of an organization. Transformational change initiatives require a lot of effort. When they fail, the morale of the employees suffers. They become cynical and stop listening to their leaders, especially if changes are continually announced and never materialize. This loss of confidence in leadership is called organizational cynicism and, once it occurs, it makes future changes more difficult.

Leaders must understand that transformational change is risky, disruptive, and rewarding. If not executed well, failed transformations can have a destructive effect on the organization. Employee turnover and lost customers can result from bad planning or if the transformation takes too long. During transformational change, the organization is dismantled and does not function properly. The new structure needs to learn to work as a unit again. For this reason, the change must be planned well so that it can be executed quickly and the disruption kept to a minimum.

Transformational changes that address critical gaps in how the organization works internally and externally produce an organization that is better able to survive and grow in the environment in which it operates. For this reason, the changes must be swift so that the benefits can be realized as soon as possible.

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RUNNING HEADER: Principles of Leadership

AMDS 8632 - KAM 6 Application

**Professional Practice: Application of an Organizational  
Change Model**

Walden University

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Ph.D. in Applied Management and Decision Science

Leadership and Organizational Change Management

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### Introduction

In this paper I will evaluate a business situation that requires organizational changes. I will assess a business situation and, using theoretical knowledge gained in the breadth and depth sections, propose organizational changes to improve performance. I will use the eight-stage change process described in John P. Kotter's book *Leading Change* as a framework for my analysis. I will include Dean Anderson's nine-phase process as supporting information. Many of the senior managers and leaders in the organization described here are familiar with Kotter's process and believe that they follow it.

The situation described in this paper is a compilation of circumstances. It should not be construed as anything other than a fictitious organization and a series of hypothetical events.

### Overview Of Change Models

Information from the two change models mentioned before will be used to analyze the situation presented in the paper. Appendix 1 shows the correlation between Lewin's model, the Action Research model, Anderson's nine-

phase process, and Kotter's eight-stage process. Each has research, changing, and solidification phases. Due to this tight correlation, Kotter's process is a relevant model to use for this research. It adds a popular model for affecting transformational change in organizations to the other research presented in the breadth and depth sections of this research paper.

Kotter's process consists of eight steps. The first step is to establish a sense of urgency. If complacency is high, few people are interested in working on a change initiative. If urgency is low, it is difficult to assemble enough people with enough power and credibility to affect change. The second step is to create a guiding coalition. Individual CEOs cannot develop and communicate the right vision alone. Weak committees are also ineffective. A coalition of the right people with the same vision and a high level of trust is necessary for success. Developing a vision and strategy is the third step. This is essential because it clarifies the change direction, motivates people to take action in the right direction, and coordinates the actions of people in an efficient way. In the fourth step, the change vision is communicated. Kotter says "The real power of a vision is unleashed only when most of those involved in an enterprise or activity have a common

understanding of its goals and direction" (Kotter 1996, P. 85). Transformational leaders develop and communicate a vision to the organization. There are three parts to transformational visioning. First, leaders must agree on the content of the vision. This includes the direction and outcome of the transformation. Second, leaders must craft a vision statement that captures the possibilities for what the transformation will produce. Third, transformational leaders ensure that the entire organization understands and commits to the vision creating a collective intention for the success of the transformation (Anderson and Anderson 2001). The fifth step is to empower employees for broad-based action. Employees cannot help with transformational change if they feel powerless. The sixth step is to generate short-term wins. Creating wins helps the coalition validate their vision and provides milestones to look forward to. In the seventh step, gains are consolidated and more change is produced. In this step, leadership can recognize the efforts and accomplishments to date, but still be clear that the change is not over and strong effort is still required. In the eighth and final step, the new approaches are anchored in the culture. This is essential to ensure that the change accomplishments are not lost over time. Kotter says "When the new practices

made in a transformation effort are not compatible with the relevant cultures, they will always be subject to regression" (Kotter 1996, P. 148).

Dean Anderson describes a similar nine phase change process. The first is preparing to lead the change. During this phase, leaders initiate the transformation, clarify change leadership roles, create the case for change, and build the strategy. In phase two, leaders create the organizational vision, commitment, and capacity. Phase three involves assessing the current situation to determine the requirements of the new design. In phase four, the desired state, including processes and structure, is defined. During phase five, the system-wide impact of the desired state is assessed to analyze its impact on the organization. In the sixth phase, leaders plan and organize for the implementation of the desired state. In phase seven, the change is implemented and the desired state is corrected as the change process is monitored. Phase eight is where the new state is celebrated and integrated as it is mastered by the organization. In phase nine, a process is implemented to refine and continuously improve the new state. In this phase, any temporary change support structures and management systems are dismantled (Anderson and Anderson 2001).

During transformation, an organization's core purpose remains the same. Anderson says:

To provide focus during the chaos, people need to remember why the organization is in business and what it stands for - its values. Organizations that lose touch with their core purpose, vision, and values have no inspiration to fuel their process of change (Anderson and Anderson 2001, p. 45).

Without this inspiration, fear and panic can take over. With it, leaders can move the organization from the past, through uncertainty, and into a tangible future (Anderson and Anderson 2001). P 45

### Situation Description

A twelve billion dollar company initiates a project to transform one facet of its purchasing organization. The purchasing process for maintenance, repair, and office (MRO) items is to be revamped to gain process efficiencies and leverage the company's size to negotiate better prices for these items.

The MRO category of purchased items is limited to those that are not used as input to the products sold by the company. Examples of MRO items include spare parts for

machines, lubricants, cleaning supplies, and office supplies. These purchases are often regarded as non-strategic and commodity items. They typically do not affect the quality of the goods and services that the company's produces.

The culture of the company is one of decentralization. Employees are considered experts in the twenty five square feet in which they work. There are few corporate-wide policies and procedures and the company expressly discourages the development and implementation of them. The company also articulates, to the entire organization, that it discourages centralization. It tempers these cultural statements with the edict that all employees should do what is best for the company as a whole. The company is managed by profit and loss and this management process is taken to the lowest levels of the organization. The management of each location is evaluated on that location's individual profit and loss results. Merit raises and bonuses are paid based on these financial results. The company believes in promoting from within and most managers have over ten years of service. Many of the company's managers do not have any other professional experience.

Prior to the transformation effort, its purchasing structure is completely decentralized. The MRO purchasing function occurs at the lowest levels of the organization. Even though the company has corporate, business unit, division, and plant levels in its organization structure, almost all MRO sourcing and purchasing decisions are made at the plant level. Personnel to perform these functions exist at the plant level and not at the higher organization levels. Responsibility for MRO cost containment also exists at the plant level. MRO purchasing personnel report to plant managers who are held responsible for MRO budgets. Incentive programs are in place to reward budget compliance at this level.

Senior management, at the corporate level, feels that there is a financial advantage to negotiating the prices for MRO items at the corporate level. By doing so, corporate-level management feels that the company's size can be leveraged to negotiate lower prices for these commodity items. Global, corporate catalogs can be developed with vendors to ensure that purchases made at the plant level are priced at the negotiated price. Information about purchases can be captured about the company's global consumption of specific items and this information can be used to negotiate even lower prices as

the company is able to commit to volume purchase levels for those items. In order to accomplish this, corporate-wide compliance to these global contracts is critical.

Negotiated purchase levels must be met and data about these purchases must be captured to prove compliance and generate leverage for future negotiations.

Research and benchmarking generated the information used to make the decision to go forward with this transformation endeavor. This information showed that most companies achieve an overall cost reduction of twenty percent for MRO item purchases. Using the company's financial consolidation and reporting system, it was discovered that the annual spend for MRO items was \$750 million. To reasonably set expectations, it was decided that a conservative ten percent savings would be attempted in the initial transformation project. This would represent a \$75 million improvement to the company's bottom line annually.

A senior leader and global president was named as the champion of the project. This champion communicated to the other senior leaders and was the initial spokesperson to the rest of the corporation. The company initiated the project by appointing a director of global purchasing at the corporate level. Three people were hired to report to



the director. These three people performed primarily administrative tasks associated with a traditional process. They updated prices, resolved problems, developed processes, and did other general administrative tasks. In addition to these direct reports, four part-time resources were assigned to the director. These four people reported directly to the business unit level of the organization and performed vendor selection and price negotiation functions for their assigned MRO commodities. These functions were in addition to their full time responsibilities of coordinating strategic purchasing functions at the business unit level of the organization.

The purchasing director and his full and part time staff researched and purchased a software tool to help deploy a global MRO purchasing process throughout the company. The software was an internet-based system that allowed for the entry of global catalogs of MRO items. By using the tool to perform the MRO purchasing function at the plant level, globally negotiated prices for the items in these catalogs could be enjoyed throughout the company without the negotiating function being done at each plant in the enterprise. In addition, the system would record information about all MRO purchases so that vendor performance and price analysis could be done at the

corporate level. This database would grow over time and become an asset for future negotiations. It allowed for a global view at a centralized level.

A steering committee was formed to oversee the implementation of the MRO purchasing software. The Information Technology (IT) department was engaged to install, customize, and document the system. They were also charged with the responsibility for training personnel at each facility on how to use the system. A budget and timetable was established for a global rollout that would include over three hundred facilities in two years. The total budget for the implementation project was \$50 million. The IT budget established for the ongoing support and maintenance of the system was \$20 million annually. Based on the conservative estimates used to justify the project, the company expected a slight payback in the second year and the full \$75 million savings in subsequent years. The net effect after expenses was expected to be \$55 million in annual savings.

A key factor for success was to move the vendor selection and price negotiating functions out of each facility and perform them at the corporate level under the direction of the new director of purchasing. The actual MRO buying transactions would still occur at each facility,

but these other functions would cease at that level. It was recognized that the overall cost savings would be ten percent, but that individual items may fluctuate greatly and, in some cases, actually cost more in the new scenario as corporate purchasing agents would agree on higher prices for lower volume parts to get lower prices on higher volume ones.

The first three months went well, from the perspective of the IT department. The system was up and running and they were ahead of schedule on the plant implementations. The corporate global purchasing department was beginning to fall behind. Contracts for company-specific catalogs and pricing were not being put in place. Processes for performing these tasks were inefficient and constantly being modified. The part-time commodity managers were not keeping to their schedule. Conflicting priorities within their individual business units were not allowing them the time to perform their corporate global tasks. In addition to this, some of the heads of the business units, to whom these commodity managers reported, did not support the corporate-level purchasing initiative. Some commodity managers began working to derail the project as the non-supportive business unit heads became more vocal in their resistance to the project. The chief executive officer

became involved to reinvigorate interest in the initiative, but business-unit level support continued to diminish as the costs associated with the project were allocated to the business units, affecting their bottom lines.

The annual corporate bonus cycle occurred approximately eight months into the project. Since the corporation's financial performance was good, most everyone on the program, from the corporate level to the plant level received bonuses. The criteria for bonus payout related primarily to budget adherence and profit forecasts.

Individual plant purchasing personnel were rewarded for keeping MRO costs low at their locations by purchasing outside the new process whenever they were able to get better prices by doing so. Since the part-time commodity managers had direct line reporting to the business units, their bonuses were based on the financial performance of those business units. The corporate global purchasing organization, as well as the IT organization received bonuses based on their individual departments' budget performance.

Throughout the second year of the implementation project, The IT department encountered increasing resistance to the implementation at the plant level. Executive level communications did not filter down to the

plants, and the vision was not understood at that level. As more cost was allocated to lower levels of the company, resistance grew. Even locations that were "live" on the system continued to perform the MRO purchasing process as they had done it before their implementations. With the part-time commodity managers running behind in negotiating better prices and including more of the required items in the catalogs, resistance grew, and became justified as the new process remained unable to meet the needs of the corporation. Nine months into the second year, the IT department was still slightly under budget and ahead of schedule. But, with usage diminishing, the decision was made to discontinue implementations until the item, pricing, and process problems could be fixed.

With the project on hold, the part-time commodity managers were able to spend more time building their cases to abandon the initiative. Further analysis showed that the total MRO spend was actually \$400 million, not the \$750 that was originally identified. This reduced the potential annual savings to \$40 million. This still represented a \$20 million annual savings after expenses. As support for abandonment grew, the decision was made to eliminate half of the implementation team and their employment was terminated. During this period of time, the economy began

to slip into recession. Corporate profits fell and no bonuses were paid to anyone during that corporate bonus cycle. Six months later, the project was all but abandoned and an exit strategy for those locations still using the system was being devised by each business unit's commodity manager.

The corporate level purchasing group continued to meet, but more as a communications council than a purchasing organization. The steering committee was disbanded, although they rarely met throughout the project and were uninvolved in problem resolution.

### Situation Analysis

A high-level flowchart of Kotter's eight-stage process for transformational change is shown in appendix 1. Flowcharts of other approaches are included for comparison purposes. Using the chronology of events described in the previous section, an analysis is provided that compares the project steps taken and possible improvements in that project based on Kotter's process.

During the research phase of a transformational change initiative, competitive opportunities are examined, an empowered team is assembled, a vision and strategy are developed, and the vision and plan are communicated to the

organization (Kotter 1996). The vision and strategy are the primary outputs from this phase. These elements lay out the necessity for change and the roadmap for accomplishing the change.

There are three elements of change strategy. The first is content. Content refers to what must change. Examples of content are structure, business processes, management systems and technology. The second element is people. This component refers to human dynamics that influence or are influenced by change. The third element is process. This component refers to how the organization will transform. Change strategy is the leaders' high-level approach to an integrated organizational change (Anderson and Anderson 2001). Anderson says that it summarizes all three elements and explicitly states:

- How you will position the transformation in the organization;
  - Core activities for igniting and accomplishing the transformation;
  - How management and the workforce will be involved in the effort to create a critical mass of commitment; and
  - Your critical milestones and general timeline
- (Anderson and Anderson 2001, p. 114).

Developing a transformational change strategy requires leaders to build the case for change and clearly communicate it to the organization.

Any case that is developed must be based on facts. The action research model recognizes the importance of this effort in its data gathering and preliminary diagnosis step. This step is often performed by a consultant, along with some organization members. In this step, data is gathered and analyzed to determine the underlying causes of organizational problems. Data gathering is accomplished through interviews, observing processes, questionnaires, and performance data (Cummings and Worley 2001).

The research phase of the project started out well. Senior leaders were engaged. A financial analysis was performed to identify opportunities for improvement and realistic goals and measurements were established. The senior leadership of the company was supportive and vocal. A compelling story was developed to explain how \$75 million would improve the company's profitability and help it move into the world of electronic commerce. The company's leadership was familiar with Kotter's process, but only made superficial attempts to follow it.

As stated, the financial justification seemed compelling with a total MRO spend of \$750 million, however



at \$400 million, the case was substantially weaker. Also, the discovery of this error had a dramatic impact on the credibility and integrity of the overall project. After further investigation, it was discovered that the highly decentralized culture of the company contributed to the erroneous data gathered in the initial phase. Individual accounting systems and charts of accounts at business unit, division, and plant levels caused categorization errors as the numbers were consolidated. While the overall MRO dollar amount was correct, the portion in the categories that were candidates for this project was substantially smaller than the total number. Since the communication of the vision was based on an erroneous cost-benefit analysis, the power of the message was diminished. Kotter identifies the lack of a strong vision as mistake number three when analyzing why transformational change efforts fail (Kotter 1996). He also mentions vision and its communication in error number four when he says "Without credible communication, and a lot of it, employees' hearts and minds are never captured" (Kotter 1996) P. 9). Anderson describes a communication process where initial communications start with sponsors, key change leaders, and selected managers and employees from throughout the organization. From there the communications cascades down

throughout the organization. Facts, perceptions, and outcomes are clearly articulated. Feedback is solicited and questions are answered. The next wave of communications provides an update to the organization. Actions, outcomes, and best practices are communicated. Subsequent communications continue the pattern celebrating successes and explaining issues and challenges (Anderson and Anderson 2001).

The company assembled an organization to execute the change project. Moving large portions of the MRO purchasing function from the plant level of the organization to the corporate level presented the need for major structural changes. Again, the company attempted a superficial effort to follow the Kotter change process. A corporate-level director's position was created to lead this new part of the company's structure. This new director reported to the senior global president that was championing the effort. This new director was a respected member of the purchasing community both inside and outside the company. The new structure weakens once you look below the director's position. The full-time staff, reporting directly to the director performed, primarily, administrative and clerical functions and helped with project implementation tasks. The personnel responsible

for analyzing MRO spend patterns, vendor selection, and global contract negotiations were part-time resources who reported directly to senior managers at the business unit level. This strategy was adopted to fit with the company's overall decentralized culture. Representatives from each business unit were expected to create buy-in at that level and keep the corporate-level staffing low.

Ultimately, this structure was a major cause for the failure of the change effort. Maintaining the business unit, division, and plant profit-and-loss structure as the basis for the reward system caused confusion among the people filling key structural roles in the new organization. With all salary, bonus, promotion, and review activities remaining at the business unit level for these key employees, their incentive was to follow closely to the individual needs and strategies of the organizations to which they had direct-line reporting instead of the corporate-level strategies to which they indirectly assigned. It is important to align reward systems to ensure that the desired behavior is enforced (Kirkman and Shapiro 2000). It is also important that a portion of the entire leadership's compensation is tied to the successful implementation of the change initiative (Carter, Giber et al. 2001). In describing error number five, Kotter says:

Compensation or performance-appraisal systems can force people to choose between the new vision and self-interests. Perhaps worst of all are supervisors who refuse to adapt to new circumstances and who make demands that are inconsistent with the transformation (Kotter 1996, P. 10).

As the project entered the changing phase, two organization structures emerged. The corporate-level IT organization had an existing process for developing, implementing, and supporting the implementation of new technologies. They employed basic project-management techniques to plan and execute tasks that they were familiar with from previous, similar projects. Direct-line reporting minimized conflicts of interest and allowed for the ongoing project performance analysis and correction described in the Kotter process (Kotter 1996). The new corporate-level MRO purchasing group functioned more as a committee. Without full-time people directly responsible for specific tasks, the new organization was unable to develop processes and develop a plan that it could adhere to. Since all members of the new organization were recruited from within the company, few had any experience working in a centralized environment. This lack of experience made much of their work efforts appear to be

inconsistent with the overriding policies and procedures of the rest of the company.

The Kotter process addresses these issues in its “empowering” step. Structures, skills, systems, and supervisors are often the biggest obstacles in a change initiative (Kotter 1996). Middle-level managers, convinced that they are doing the right thing for the company, often resist change as they protect their functional fiefdoms and the business benefits of the legacy structure. It is important for transformational leaders to understand their role in organization-wide transformation. Everyone that has influence over the transformation must be supported. This includes executives, employees, and consultants that are contributing to the effort. Top leaders can squelch transformation if they resist the requirements of transformation. Leaders operating in the traditional command and control fashion often do not understand or support the requirements of transformation (Anderson and Anderson 2001). Anderson says:

It has been our experience 100 percent of the time that, when the entire system must transform, even if the change ignites in the middle or bottom of the organization and then spreads out, if the senior executives do not eventually get on board with the

shift in consciousness and behavior required for the transformation to succeed, the transformation eventually dies on the vine or goes underground. It is put aside until the top leaders get a painful enough wake-up call that they finally recognize the need to change (Anderson and Anderson 2001, p. 245). Training is critical and must be delivered at the right time and in the right quantity. Technical and functional training is usually given, but social training is often required to teach employees new ways of interacting with teams and different levels of the organization. People rarely resist change when that change is in their best interest. Human resource systems must be modified for alignment with the change initiative. Performance appraisals, compensation, promotions, and succession planning must be aligned with the new vision (Kotter 1996).

Anderson says that in order to support transformation, leaders must promote changes to the mindset and behavior of the organization. This is an area that does not always receive the attention required for success. A critical mass of the organization must be involved in initiating a breakthrough process of self-awareness and transformation. This is done by leveraging the case for change and sustaining it throughout the transformation process. It is

important to make sure that the organization understands that the old way of operating no longer exists (Anderson and Anderson 2001). Anderson says:

People must recognize that the future promised by this transformation is better and more essential than the past or the present. Otherwise, they will not be willing to change (Anderson and Anderson 2001, p. 141).

People must abandon the realities of the present before they can embrace something new no matter how much selling or coercion they are subjected to (Anderson and Anderson 2001).

Many transformations are not scoped accurately by focusing only on organizational design or technology upgrades. Leaders often try to do the least possible in the shortest amount of time while setting unrealistic and crisis-producing timelines (Anderson and Anderson 2001). Changing technology, however, often requires organizations to change their structures in order to take advantage of the new system's potential (Herman 2001). Kotter, in describing error number eight, says:

In the final analysis, change sticks only when it becomes 'the way we do things around here,' when it seeps into the very bloodstream of the work unit or

corporate body. Until new behaviors are rooted in social norms and shared values, they are always subject to degradation as soon as the pressures associated with a change effort are removed" (Kotter 1996 P. 14).

The project ended before reaching the solidification phase. The changes were never committed to the culture of the company.

#### Recommended Actions

There are two scenarios to explore in this example. The first is to make hindsight recommendations for how organization change aspects of this project should have been handled. The second is to make recommendations for how to salvage the project in its current state.

Organizational change should have been a more prominent part of the original project. The primary consideration is the idea of introducing a centralized process in a traditionally decentralized organization. The company's policies and procedures specifically state that centralized processes are frowned upon. This fact by itself encouraged upper and middle managers to resist the change. The additional fact that financial incentives did



not keep pace with the new behavior further complicated the change process.

Kotter's eight step process could have been used to improve the probability of success for this change initiative. Also, since the company had promoted most of its managers from within, a change consultant or employee brought in from the outside should have been used as a lead change agent. In any case, a lead change agent should always be identified. Time should be spent becoming familiar with the unique structure of the company's organization, culture, and incentive programs. Also, greater care must be taken to ensure that the analysis used to formulate the strategy is accurate. Assuming that the analysis still proves that this type of change is beneficial, the CEO of the company should become the executive sponsor of the transformation, since he or she is the only one with a centralized position of authority. The CEO should use the analysis to create a sense of urgency about the change. All current methods of corporate communication must be used to reinforce the change. Clear messages about the new structure, the financial benefits, and the desired behavior must be articulated. Additional transformational communication plans should be established to focus on the change and the process for achieving it.

It is obvious that the company's culture, organizational structure, chain-of-command, and compensation structure are not aligned to support the proposed transformation. A coalition in the purchasing organization must be formed and the function must be restructured to support a centralized process. Direct line reporting from the CEO to the commodity purchasing agents must be established with a vice president of purchasing and a full time staff. The negotiating function must be removed from the business units and the compensation plan for the new structure must be tied to the desired results. Senior and middle managers in the rest of the organization must have an incentive to implement the new processes. A portion of their compensation should be contingent on their support of and participation in the new process.

A realistic timeline should be followed to properly set expectations. Each milestone should have measurable results that can be communicated to the organization to create more change momentum. Extraordinary results that might be achieved in individual pockets of excellence should be honored and presented as best-practices for the rest of the organization to follow.

With a new organization structure in place along with supporting processes and compensation plans, the

transformed MRO purchasing function can become part of the culture. Continued communications about how the new structure is improving the organization's performance would help the organization's members understand how this new structure is good for the company and overrides the company's decentralized policy.

If the scenario is to salvage the existing project, then new analysis should be done to ensure that all information is correct. A professional change consultant should be engaged to help the company through the transformation. The CEO should reorganize the MRO purchasing function under a new corporate-level purchasing department that reports directly to him or her through a staff-level executive. Full-time staff should be assigned to the department to take over the currently decentralized functions at the central, corporate level. A communications plan should be devised to clearly and honestly inform the organization about the project's problems. This communication must come directly from the CEO who must become the executive sponsor for the project. He or she, personally, should tell the organization why the MRO purchasing transformation must occur and clearly describe the individual behavior expected from each employee to ensure success. A new process for executing

MRO purchasing should be deployed. Functions that are to be centralized should move to the corporate level along with the personnel and cost to perform them. This ensures that these functions can no longer be performed at the lower levels of the organization. However, the new corporate-level group must have the necessary resources to provide services to the lower levels of the organization at a level higher than they could provide those services to themselves. Metrics must be captured to show real cost savings and to make adjustments to the plan as necessary. These metrics must also be communicated regularly to the organization to generate enthusiasm. The metrics should be used to support a new compensation package that rewards the centralized group for obtaining cost savings and providing high levels of service to the organization. This compensation package should also reward the other levels of the organization for participating in the transformation deployment project.

### Summary and Conclusion

In transformational change, leaders must initiate a change process that realigns the organization with its environment (Anderson and Anderson 2001). Followers of

transformational leaders think of old problems in new ways (Jung 2000-2001).

It is necessary for transformational leaders to take an active part in change initiatives. They must become the image of the desired transformation. Organizational structures must often be changed to support transformation. Sometimes these structural changes are counter to the company's culture. Reward and repercussion systems must support the desired behavior. It takes time and support for changes to become engrained in an organization's deep structure.

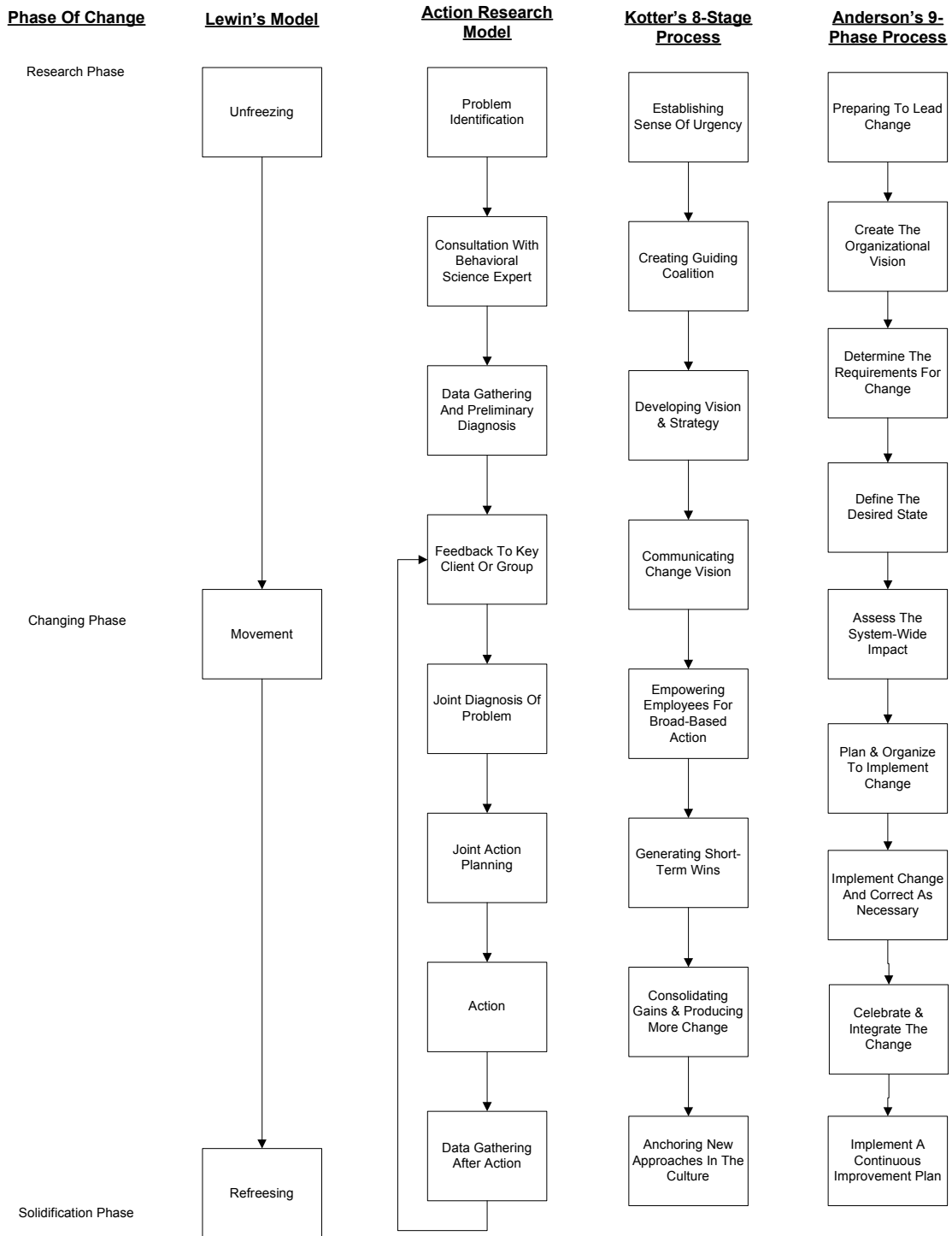
Transformational leaders should understand the punctuated equilibrium model described in a study in the Journal of Management Information Systems (1999). This article references the model which describes organizational change as consisting of long periods of stable infrastructure interrupted by brief periods of revolutionary change. Three distinct features of the punctuated equilibrium are:

4. Deep structure; the set of fundamental choices an organization is made up of. These are the basic parts into which an organization is segmented and the activity patterns within these segmentations.

5. Equilibrium periods; the stability in the organization's structure and activity patterns. Equilibrium consists of maintaining the deep structure. Equilibrium periods are maintained by awareness, motivation, and obligation. As long as an organization's deep structure is intact, it is difficult to change.
6. Revolutionary periods; the major upheaval and reformation of deep structure. For significant change to occur, the deep structure must be dismantled, leaving the organization temporarily disorganized. This period includes a reconfiguration of the organization with a new set of rules (Lassila 1999).

These three periods are consistent with Anderson's nine-phase change process.

Appendix 1



Adapted From (Cummings and Worley 2001)

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