

Chapter 2

The nature of organizational change

Types of change:

Grundy's three 'varieties of change' (based on observation):

Smooth incremental: evolves slowly, in a systematic and predictable way. from 1950s to 1970s, but become less common by the 1990s

Bumpy incremental: is characterized by periods of relative tranquility punctuated by acceleration in the pace of change.

- triggers are likely to include those from both the environment in which organizations operate as well as the internal changes such as those instigated to improve efficiency and ways of working

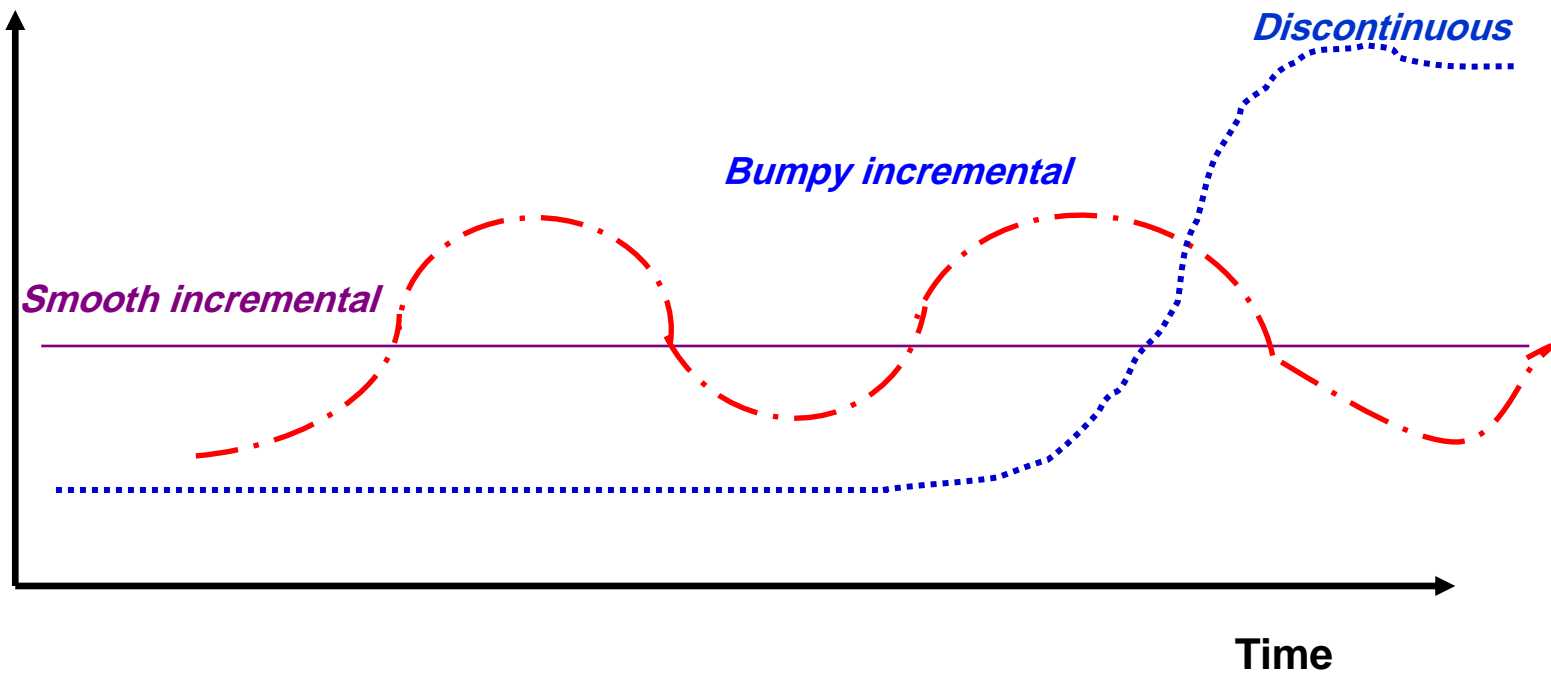
example: periodic reorganizations that organizations go through

Discontinuous change: Changes which is marked by rapid shifts in strategy, structure, and culture or in all three.

- can be linked to change in response to the higher levels of environmental turbulence (ch 1)

- example: technological change

Major Types of Change (Grundy, 1993)



- * The vertical axis in the figure represents the rate of change not the amount of change
- * Both types of incremental change are associated with means by which organizations achieve their goals rather than change them.

The pace and scope of change

- **Criticism of Grundy's types of change:** somewhat simplistic and appear to be based on observation rather than investigation and research.
- Balogun and Hope Hailey's 2004 identification of change paths, go one step further in suggesting 4 types of change:
- Incremental change divided into **adaptive and evolutionary**;
- Big bang change divided into **reconstruction and revolution**.
The end result of these varieties of change is either realignment or transformation (Figure 2.2, types of change)
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The pace and scope of change

		Extent of change	
		Realignment	Transformation
Nature of change	Incremental	Adaptation	Evolution
	Big bang	Reconstruction	Revolution

Figure 2-2 types of changes

Continue

- Tushman, Newman and Romanelli 1988 – On the basis of an examination of numerous organisational studies and case histories, these writers propose a model of organisational life that consists of ‘periods of incremental change, or convergence, punctuated by discontinuous changes
- They suggest there are two types of converging change: fine tuning and incremental adaptations

Continue

- **Incremental change:**
 - -1 Fine tuning
 - Aimed at doing better what is already done well
 - -2 Incremental adaptations
 - Involves small changes in response to minor shifts in the environment in which organizations operate (ten-percent change)
 - Fine tuning and incremental adaptations have the common aim of maintaining the fit between organizational strategy, structure and processes
 - Fine-tuning and incremental adjustments to environmental shifts allow organizations to perform more effectively and optimize the consistencies between strategy, structure, people and processes

Continue

Discontinuous or frame-breaking change

At times of major change in an organization's environment fine-tuning or incremental adjusting will not bring the major changes in strategy, structure, people and processes which might be required. In time such as these most organizations will be required to undergo discontinuous or frame breaking change

The need for discontinuous change springs from one or more of the following:

- **Industry discontinuities**- sharp changes in the legal, political or technological conditions that shift the basis of competition.
- **Product life cycle shifts** – changes in strategy from the emergence of a product to its establishment in the market, the effects of international competition
- **Internal company dynamics** – the implications of size for new management design, new management style as inventor-entrepreneurs give way to the need for more steady state management, revised corporate portfolio strategy that can sharply alter the role and resources assigned to business units or functional areas

Continue

- **Frame-breaking change is usually implemented rapidly revolutionary changes:**
- Reformed mission and core values – new definition of company mission
- Altered power and status – reflecting shifts in the basis of competition and resource allocation
- Reorganisation new strategy requires a modification in structure, systems and procedures, change of organisation form
- Revised interaction patterns – new procedures, work flows, communication networks, decision making patterns
- New executives – usually from outside the organisation

Plowman et al (2007)' model of change

- Organizational change can be mapped in terms of its pace (continuous or episodic) and its scope (convergent or radical)

SCOPE

1. Continuous and convergent	4. Continuous and radical
2. Episodic and convergent	3. Episodic and radical

• PACE

The four quadrants portray

- 1. Continuous and convergent change:
 - is Slow
 - Is channelled improving systems and practices.
 - - happens within an organization template which is not altered.

2. Episodic and convergent change

- Occurs more quickly as a result of a specific shock or crisis.

- 3. Episodic and radical change

- happens quickly in response to a major shock crisis.
- the template is altered through a new top manager team or new strategy.

- 4. Continuous and radical change

- arises out of an accumulation of small changes and lead to a new template being formed.

I.3. Fine tuning to corporate transformation

- Dunphy and Stace (1993) Model: defining the scale of change.
- Dunphy and Stace's scales types 1 and 2 are typical of Grundy's concept of smooth incremental change, while scale 3 and 4 are reminiscent of Grundy's bumpy incremental and discontinuous types of change respectively.

- **Scale type 1: Fine tuning**
- Organizational change which is an ongoing process characterized by fine tuning of the 'fit' or match between the organisation's strategy, structure, people and processes. Manifested at departmental/divisional levels.
- refining policies, methods and procedures
- developing personnel especially suited tot the present strategy (training and development)

- **Scale type 2: Incremental adjustment**
- Organisational change which is characterized by incremental adjustments to the changing environment. Involves distinct modifications to corporate business strategies, structures, and management processes, for example
 - expanding sales territory
 - improved production process technology
 - articulating a modified statement of mission to employees

Scale type 3: modular transformation

- Organisational change which is characterized by major realignment of one or more department/divisions.
- Is focused on the subparts rather than on the organisation as a whole, for example:
 - - major restructuring of particular department/divisions
 - - changes in key executives and managerial appointments in these areas
 - - reformed departmental/divisional goals

Scale type 4: corporate transformation

- Organisational change which is corporation-wide, characterized by radical shifts in business strategy and revolutionary changes throughout the whole organization, for example:
 - - reformed organizational mission and core values
 - - reorganisation – major changes in structures, systems and procedures across the organisation

I.4. Planned and emergent change

Fine-tuning and incremental change are features of all organizational life and while they can be planned, are frequently associated with change.

Emergent change?

- The idea of **emergent** change has been linked with the concept of organizations as open systems.
(Wilson, 1992)

Planned change?

- Describes situations where a change agent takes deliberate actions with the aim of moving an organization or part of one from one state to another.
- Example: a new structure, a more commercial behaviour, altered working patterns....

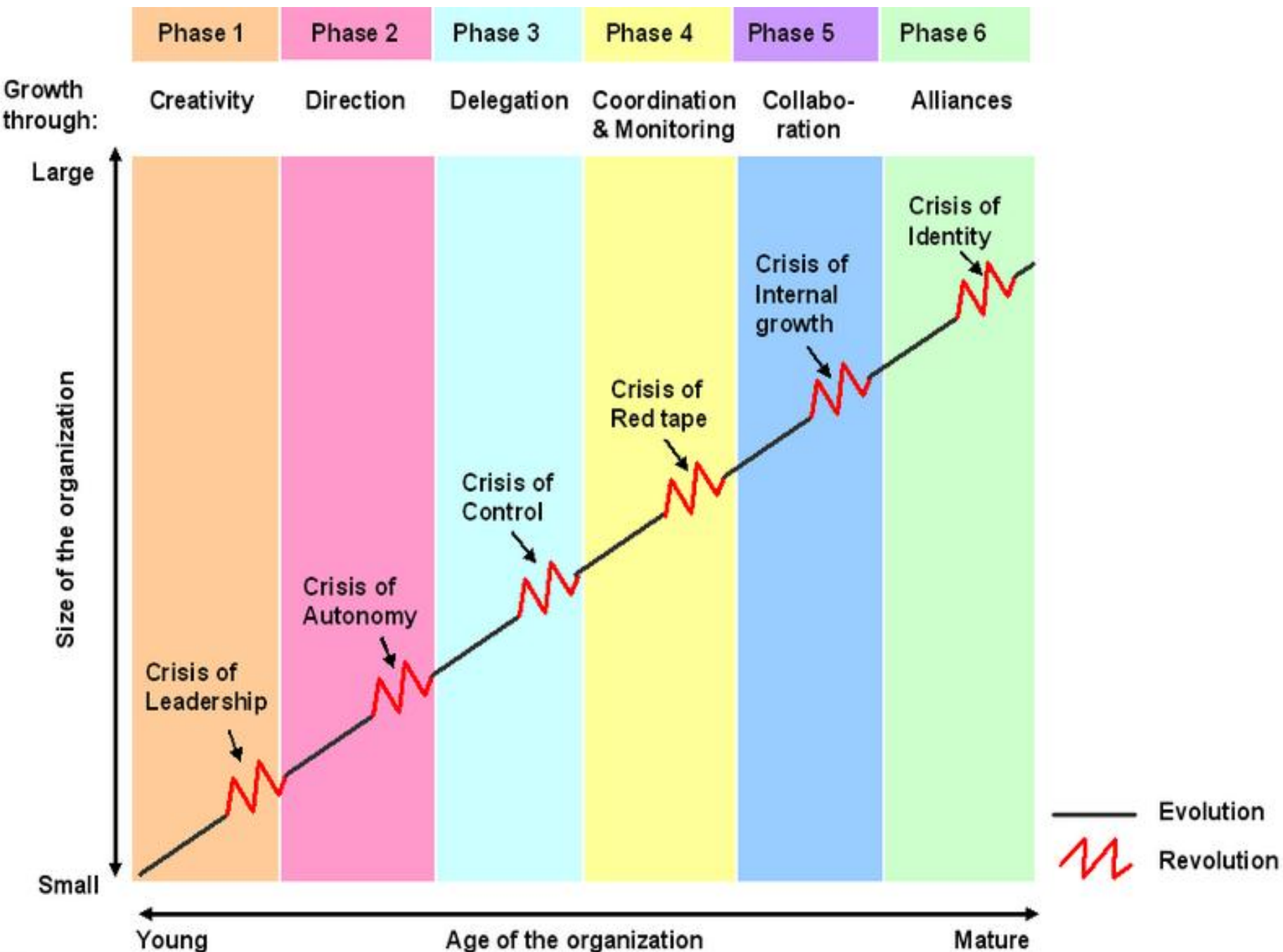
II. PREDICTABLE CHANGE

- Change could be viewed as **neither** wholly **emergent** nor planned.

As cycles of growth and activity are an essential part of living , so the concept of an **organizational life cycle** (Greiner, 1972; Kimberley and Miles, 1980) has been used to describe the development of organizations.

The organisational life-cycle by Greiner (1972):

- Greiner maintains that, as organisations grow in size and mature, their activities go through **five phases**, each of which is associated with a different growth period in an organisation's life. In addition, as each growth period moves into the next, the organisation goes through a shorter-lived crisis period.



ORGANIZATIONAL PRACTICES IN THE FIVE PHASES OF GROWTH

CATEGORY	PHASE 1	PHASE 2	PHASE 3	PHASE 4	PHASE 5
Management Focus	Make and sell	Efficiency of operations	Expansion of market	Consolidation of organization	Problem solving and innovation
Organizational Structure	Informal	Centralized and functional	Decentralized and geographical	Line staff and product groups	Matrix of teams
Top-Management Style	Individualistic and entrepreneurial	Directive	Delegative	Watchdog	Participative
Control System	Market results	Standards and cost centers	Reports and profit centers	Plans and investment centers	Mutual goal setting
Management Reward Emphasis	Ownership	Salary and merit increases	Individual bonus	Profit sharing and stock options	Team bonus



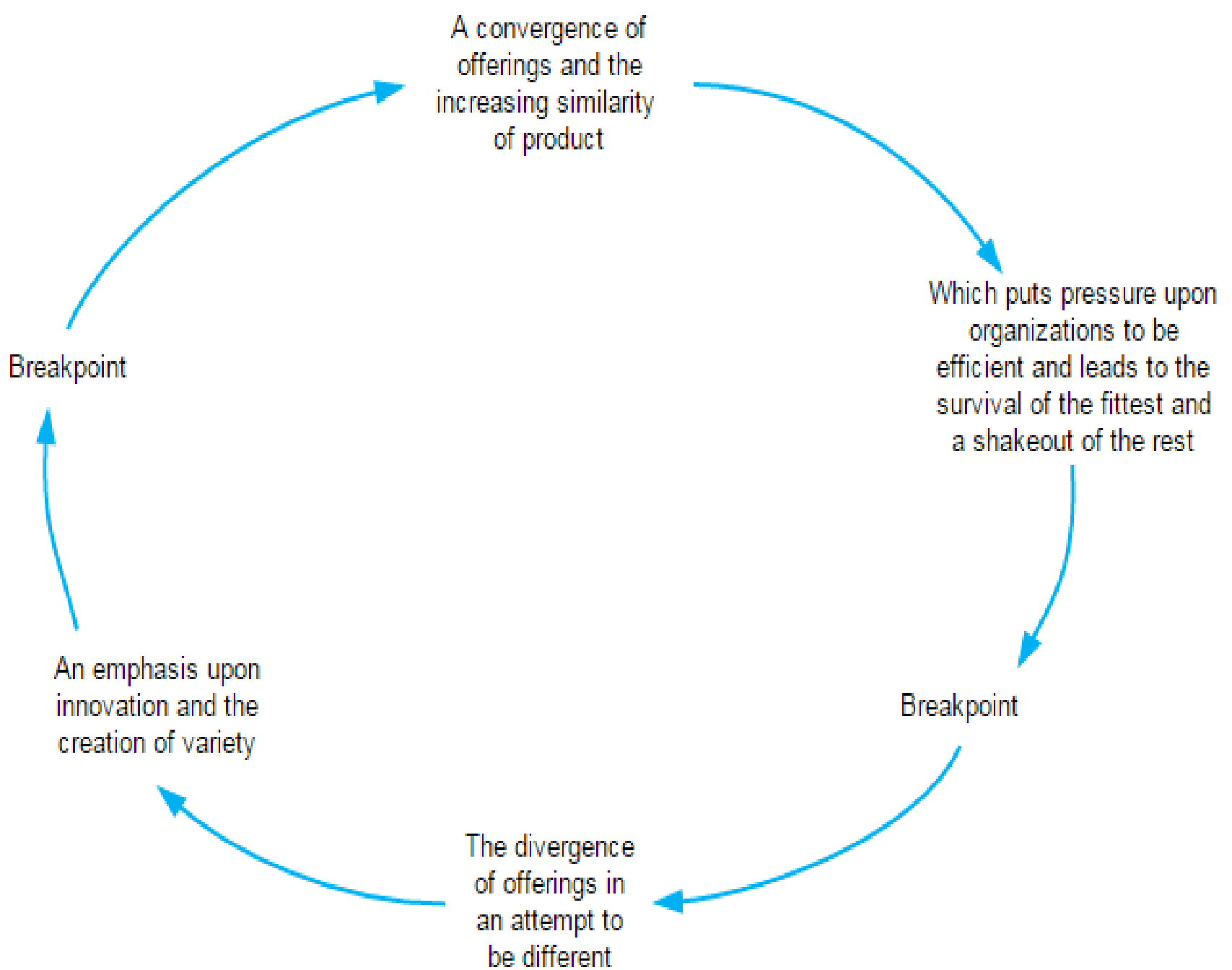
- Greiner's model is useful for identifying an organization's situation and providing warnings of the next crisis point it may have to face.

III. Diagnosing change situations

- Being able to diagnose change situations is, therefore, important if organizations are going to have any chance of responding to and managing change successfully. There are some tools and techniques which can help:
 - ✓ Greiner's model of organizational life-cycle
 - ✓ SWOT, PETS analysis
- Model of industry behaviour (difference between greiner is that this model more links to an organisation's competitive environment)

Model of industry behaviour (strebels, 1996)

- Is similar to Greiner's in the concept of a cycle of behaviour.
- Is linked more to an organization's competitive environment.



The model has two phases:

- **Innovation phase:** When someone discovers a new business opportunity
 - ☐ this triggers a breakpoint to introduce a phase in the evolutionary cycle which causes a divergence in competitors' behaviour as the attempt to exploit the new opportunity with innovative new offerings
- example: the first apple computer, the new chips and software

Efficiency phase

- The least efficient leave the scene and only the fittest survive.
- [?] This is a phase of cost cutting and consolidation until the returns from cost reduction decline and people see the advantage of looking for a new business opportunity – bringing a new breakpoint with the cycle starting all over again

Breakpoints?

The competitive cycle of Strebel (1996) suggests that there are two basic types of break point:

- ❑ Divergent breakpoints associated with sharply increasing variety in the competitive offerings, resulting in more value for the customer
- ❑ Convergent breakpoints associated with sharp improvements in the systems and processes used to deliver the offerings, resulting in lower delivered cost

conclusions

- Organisational change can be conceptualised in simple terms, as Grundy's three types of change show. However, the nature of organisational change is much more complex than this, as other typologies of change demonstrate. Not only are there different types of changes, which manifest themselves in different organisations, change also appears differently at different levels of an organisation and in its various functions. The discussion in this chapter has demonstrated the multi-dimensional nature of organisational change.