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Introduction to Organizational Change – Spring 2005
MANA 4397, Section 00585
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Professor: Dr. Julia Welch

The purpose of this paper is to provide examples of how organizational change unfolds in the real world and to compare the examples to material presented during Dr. Welch's course, *Intro to Organizational Change*. The real world examples were gathered by interviewing two gentlemen who both retired from large corporations in the oil industry. Both men held many titles during their careers. Mr. Z's title at retirement was Corporate Public Affairs Region Manager, and Mr. A retired from the position of Public Affairs Manager. The paper begins by comparing course themes with information gathered from the interview of Mr. Z, followed by that of Mr. A, and wraps up with a mixture of related information provided by both interviewees.

One major theme from the course centers on a manager's task of implementing change. The Kotter article explains that, at times, external factors precipitate the need for reorganization of the company. These organizational change efforts can encounter problems that cause delays and diminish effectiveness. Mostly, the delays can be attributed to people that resist organizational change. There are several types of resisters. For example, when faced with change, some people "think they will lose something of value as a result" (Kotter). This type of resistance usually results in "politics" or "political behavior" and is a type of resistance known as "Parochial Self-Interest."

One of Mr. Z's experiences parallels the previous paragraph nicely. For several reasons, Mr. Z wanted to close his public affairs office in Santa Fe, New Mexico, and combine it with the Midland, Texas office. First, the company no longer marketed its products in New Mexico. In addition, the company had sold its uranium properties in that state, and oil and gas production had declined sharply. Subsequently, the company could no longer justify a full-time public affairs manager in Santa Fe to represent its

diminishing interest with state government, local communities, and the news media. The company's public affairs in the state of New Mexico could easily be handled from an office in Midland, where the need for public affairs was greater.

The manager who ran the Santa Fe office was a "Parochial Self-Interest" type of resister. His life was good-he was part of a prominent family and his position with the company had many benefits. He was also a very close friend with the president of the firm's production company. The production company president supported his friend's resistant position by saying that the Santa Fe manager was ideally positioned to effectively represent the company in New Mexico. Because of the personal relationship between the resister and the president, Mr. Z was not able to initiate the needed change. Eventually, the change was made after the Santa Fe manager retired.

Kotter presents a theory of participation and involvement in order to diffuse the "Parochial Self-Interest" resister. The theory states that when given some aspect of the design and implementation of the reorganization, the potential resisters' participation will lead to their commitment to the change.

Even though Mr. Z agrees that early involvement of affected individuals can often be highly beneficial because people support what they help to create, he believes it would not have helped with the Santa Fe situation. He knew enough about the Santa Fe manager to realize he would have refused a transfer because he was nearing retirement. Although necessary, the change was not urgent. Mr. Z knew he would, within a couple of years, succeed in implementing the change once the Santa Fe manager retired.

Our studies indicate that communication is an important aspect of overcoming resistance to change. Mr. Z concurs and acknowledged that most problems managers

have with employees can be traced back to a lack of effective communication. He strongly believes that a prompt, carefully thought out communication program detailing the planned change initiative that states why it is needed, what it will accomplish, and the effect on employees, the company, local community, etc. is necessary. However, he also states that if quick change is essential, those actions may be compressed and some may not even be possible. He goes on to say that when a rushed change is made it should, after the fact, be given attention to compensate for what wasn't done before the change to help gain acceptance.

Other major themes from the course fall under the broad categories of top-down vs. bottom-up change. While discussing top-down vs. bottom-up change, Mr. A notes that in large corporations most change is from the top down because of the resistance encountered in trying to push change upward. He contends that because of this, many middle managers are reluctant to "rock the boat" by proposing changes to their senior managers. The Kotter article attributes this reaction by senior managers as a cause of either "misunderstanding" or "different assessments." It is possible that when middle managers suggest a change initiative to senior management, senior management might not understand the implications. Another reason could be that the senior manager is assessing the situation differently. In either case, the senior managers often conclude that there will be more costs than benefits from the proposed change.

Others fear admitting to their superiors that some of their responsibilities need to be reevaluated, as this could eventually lead to retraining for new responsibilities or, in the worst case, to an elimination of their position. In fact, Mr. Z says that when operations are changing, most changes are imposed by higher management because their employees

do not volunteer that some of their responsibilities are no longer justified. Kotter attributes this in part to a "low tolerance for change" in which there is a "fear they will not be able to develop the new skills and behavior required of them" or because of job security fears, they "resist change even when they realize it is a good one."

In some cases, small, slowly implemented, bottom-up change can be an effective strategy in overcoming resistance. As a public relations official, Mr. A spent much of his career trying to promote changes that would help his company do a better job of communicating to its employees and the public. His successes were infrequent and small. During a conversation with one of his public relations department managers, Mr. A explained to him how the company did a poor job of providing information to the news media and that major changes in its media policies were needed. The department manager said they could never gain senior management support for major changes. He told Mr. A that the best approach was to make small changes so gradually that senior management would not recognize that the needed changes were being made.

The preceding paragraph emphasizes aspects of the Webber and Waugh articles. Webber describes how small change can grow to eventually supplant the old. He likens it to nature, "Looking at nature we see that nothing that grows starts large; it always starts small." Waugh advises starting slow and small, emphasizing that, "It's important that you deliver change in such a way that the antibodies don't totally attack it before it's had a chance to grow."

Both interviewees agree that most employees fear top-down changes because they know such changes usually involve cost-cutting that is achieved mostly by reducing the number of employees. Organizational changes affect some employees by taking away

their jobs and others by requiring them to work harder by taking up the responsibilities left behind by the downsized workforce. The effect on individuals caught up in organizational change is often perceived as devastating. Those who are responsible for organizational change must be sensitive to fears and respond to them in effective ways if the benefits of the change are to be fully realized. Both interviewees believe the most successful companies make changes to their organizational structure as needed and as opportunities permit, thus avoiding the tendency to let things get out of hand before affecting change. Small cutbacks in manning always have less adverse impacts on productivity and morale than large ones.

Mr. Z provides the following example: After Kuwait appropriated the petroleum reserves and facilities owned in that country by U.S. Company Y, Company Y's revenues over a ten-year period were cut in half. During the same period, the company's overhead costs doubled. This obvious imbalance was permitted to develop over a long time period, and finally, a massive reorganization was undertaken. There were devastating effects on those whose well-being were tied to or affected by Company Y's operations, payrolls, taxes, and facilities. Many employees lost jobs, suppliers lost an important customer, and the economy in communities where Company Y operated suffered. Smaller changes, as needed over the ten-year period, would have had far less negative impact on all these. Employee numbers could have, largely, been realized through attrition-simply not replacing those employees who resigned, died, or retired.

Mr. A explained how he was part of a committee to study the consolidation of various public affairs functions. It became clear that the leader of the study would immediately push for a structure that would require 20% fewer employees. To the

engineer who headed the study, it was just a matter of numbers. To Mr. A, as a veteran public relations practitioner, it was a matter of 25 employee friends and associates who would lose their jobs. The downsizing was a painful process for Mr. A because he did not believe the employee reductions were needed at that time. He felt Company B's profits were good enough to wait and allow the workforce to shrink by natural attrition as employees reached retirement age or left the company voluntarily to take other jobs.

By comparing real-world examples with material from the course *Intro to Organizational Change*, we can gather several key takeaways. First is that experienced managers should understand and adjust their strategies to organizational change according to the types of resisters they are likely to encounter. However, knowing different strategies to overcome the various types of resistors is only half the battle. A good manager will know when a particular strategy to minimize resistance will work or not under the circumstances. Second, most problems one has with employees are caused by a lack of communication. Major change initiatives should be accompanied by a thorough communication program as this can, among other things, help clear up misunderstandings or differing assessments. Third, small, slowly implemented, bottom-up changes can be an effective strategy in overcoming resistance. This is especially true with minor change initiatives that do not threaten resisters. Finally, good managers will create a system that is proactive rather than reactive by eliminating positions when they are no longer needed instead of letting them pile up. For example, when the workforce shrinks by natural attrition the vacated positions should be evaluated for possible elimination or combined with other positions rather than simply replacing the departing employees.

Organizational changes, so very necessary in the business world, should be implemented in a manner that most effectively recognizes and responds to the company's best interest, with as much concern and support as possible for the employees involved. This paper concludes with advice given to Mr. Z by the head of his department: Pay attention to three organizational structures-the one you had before the present one to make sure you watch for and mitigate any lingering adverse effects, particularly on employee morale. The second is the present structure to make it work. The third is the next structure that you will have, recognizing that future changes will be required by external or internal forces. By identifying these needs early, you can make organizational changes in the least disruptive manner.