PART III: Organizing

Managing Change, Stress, and Innovation
Learning Outcomes

After reading this chapter, I will be able to:

1. Describe what change variables are within a manager’s control.
2. Identify external and internal forces for change.
3. Explain how managers can serve as change agents.
4. Contrast the “calm waters” and “white-water rapids” metaphors for change.
5. Explain why people are likely to resist change.
Learning Outcomes (cont’d)

After reading this chapter, I will be able to:

6. Describe techniques for reducing resistance to change.

7. Identify what is meant by the term organization development (OD) and specify four popular OD techniques.

8. Explain the causes and symptoms of stress.

9. Differentiate between creativity and innovation.

10. Explain how organization can stimulate innovation.
Chapter Opening

• The video game industry is serious business,
  ➢ and in this industry where customers are looking for the “next best game,” and where competition abounds,
  ➢ one company, Electronic Arts (EA) has prospered.

• EA is now the #1 video game publisher in the US,
  ➢ offering its products under three primary brand names
    ❖ ---EA Sports, EA Games, and EA Sports Big.

• Offering such game titles as
  ➢ Freedom Fighters, Madden NFL 2004, SimCity 4, and the Lord of the Rings: The Two Towers,
  ➢ the company has created over 50 best-sellers—each of these with more than 1 million copies sold.

• The company posted revenues in 2003
  ➢ that exceeded $2.5 billion—up nearly 50 percent over 2002 revenues.
• EA continues to risk time and money to develop new, creative, market leading games.
  ➢ It takes EA 12 to 36 months to produce a top-selling game, with costs upwards of $10 to develop.

• John Riccitello, president and chief operating officer at EA says that
  ➢ “The forgotten aspect of creativity is discipline.”
  ➢ Creativity is an absolute must, as employees relentlessly pursue games people want to play.
• Game designers try to identify
  ➢ the creative center of a game---what they call the ‘creative x’
  ➢ so they can understand what the game is all about.

• Then, they use the discipline of understanding
  ➢ by conducting customer focus groups,
  ➢ and place the information on the company’s intranet library for everyone to have access to ---the discipline of sharing.

• They also employ a discipline of studying the competition,
  ➢ whereby employees are encouraged to know the features of competitors’ products.

• Finally, they have the discipline of project management.
  ➢ As Riccitello states, “If you’re working on a game and you miss your deadlines, you won’t be working here long.”
• While so much discipline and focus may seem stressful,
  ➢ employees of EA are so passionate about what they do that strain doesn’t seem to be an issue.
  ➢ They love the creative challenge video games presents,
  ➢ and they are inspired to accept the next creative challenge.

• It’s this kind of passion, devotion, discipline, and innovation that serves EA so well.
Discussing Questions

• What characteristics are unique to Electronic Arts (EA).
• What is it about the organization that has allowed it to thrive and grow, regardless of the changes in the marketplace?
• What are some of EA’s core survival skills and how have they played a critical part in the success enjoyed by this company?
• What role has discipline played in innovation at EA? Do you believe this has been a key factor in the organization’s success? Why or why not?
What Is Change?

• Change
  ➢ An alteration of an organization’s environment, structure, technology, or people
    ❖ A constant force
    ❖ An organizational reality
    ❖ An opportunity or a threat

• Change agent
  ➢ A person who initiates and assumes the responsibility for managing a change in an organization
Three Categories of Change

**Structure**
- Authority relationships
- Coordinating mechanisms
- Job redesign
- Spans of control

**Technology**
- Work processes
- Work methods
- Equipment

**People**
- Attitudes
- Expectations
- Perceptions
- Behavior

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Exhibit 7.1
Forces For Change

• External forces
  ➢ Marketplace competition
  ➢ Government laws and regulations
  ➢ New technologies
  ➢ Labor market shifts
  ➢ Cycles in the economy
  ➢ Social change

• Internal forces
  ➢ Strategy modifications
  ➢ New equipment
  ➢ New processes
  ➢ Workforce composition
  ➢ Restructured jobs
  ➢ Compensation and benefits
  ➢ Labor surpluses and shortages
  ➢ Employee attitudes
Two Views Of The Change Process

• “Calm waters” metaphor
  ➢ A description of traditional practices in and theories about organizations that likens the organization to a large ship making a predictable trip across a calm sea and experiencing an occasional storm

• “White-water rapids” metaphor
  ➢ A description of the organization as a small raft navigating a raging river
Change in “Calm Waters”

• Kurt Lewin’s Three-Step Process

  ➢ Unfreezing

    ❖ The driving forces, which direct behavior away from the status quo, can be increased.

    ❖ The restraining forces, which hinder movement from the existing equilibrium, can be decreased.

    ❖ The two approaches can be combined.

  ➢ Implementation of change

  ➢ Refreezing
The Change Process

Exhibit 7.2
Change In “White-water Rapids”

• Change is constant in a dynamic environment.
• The only certainty is continuing uncertainty.
• Competitive advantages do not last.
• Managers must quickly and properly react to unexpected events.

➤ Be alert to problems and opportunities
➤ Become change agents in stimulating, implementing and supporting change in the organization
A Management Classic: Resistance to Change

• One of the most famous studies on organizational change, the Harwood Manufacturing Company.

• The plant had a long history of disruptions every time changes were made.

• Although the changes were typically minor, the employees resisted.
• The usual way that Harwood’s management made these changes was autocratically.
• The changes would be implemented immediately. The employees would rebel.
• So Harwood’s executives brought in a consultant as a change agent to help with their problem.

➤ As an experiment, the consultant arranged for the next change to be conducted in three groups, using three different methods.
• The change agent gathered data over a forty-day period.
• What he found strongly supported the value of participation.
  ➢ In the control group, resistance occurred as before.
  ➢ In the representative and full-participation groups, there were no resignations, only one grievance, and no absenteeism, and participation was positively related to productivity.
• The conclusion of the Coch and French study:
  ➢ for permanent change to occur without extensive resistance, employees must be involved.
Why People Resist Change

Exhibit 7.3

Fear of losing something of value

Fear of the unknown

Belief that change is not good for the organization

Individual resistance
# Techniques for Reducing Resistance to Change

<table>
<thead>
<tr>
<th>Technique</th>
<th>When Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and communication</td>
<td>When resistance is due to misinformation</td>
</tr>
<tr>
<td>Participation</td>
<td>When resisters have the expertise to make a contribution</td>
</tr>
<tr>
<td>Facilitation and support</td>
<td>When resisters are fearful and anxiety-ridden</td>
</tr>
<tr>
<td>Negotiation</td>
<td>Necessary when resistance comes from a powerful group</td>
</tr>
<tr>
<td>Manipulation</td>
<td>When a powerful group’s cooperation and an endorsement is needed</td>
</tr>
<tr>
<td>Coercion</td>
<td>When a powerful group’s endorsement is needed</td>
</tr>
</tbody>
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Exhibit 7.4
Making Changes In The Organization

• Changing structure
  ➢ Alterations in authority relationships, coordination mechanisms, degree of centralization, job design, or similar organization structure variables.

• Changing technology
  ➢ Modifications in the way work is processed or the methods and equipment used.

• Changes in people
  ➢ Changes in employee attitudes, expectations, perceptions, or behaviors.
Implementing Planned Changes

• Organization development (OD)

- An activity (intervention) designed to facilitate planned, long-term organization-wide change
  - Focuses on the attitudes and values of organizational members;
  - Is essentially an effort to change an organization’s culture.
Typical OD Techniques

• Survey feedback
  ➢ A method of assessing employees’ attitudes toward and perceptions of a change they are encountering by asking specific questions

• Process consultation
  ➢ The use of consultants from outside an organization to help change agents within the organization assess process events such as workflow, informal intraunit relationships, and formal communications channels
Typical OD Techniques (cont’d)

• **Team-building**
  - An activity that helps work groups set goals, develop positive interpersonal relationships, and clarify the roles and responsibilities of each team member.

• **Intergroup development**
  - An activity that attempts to make several work groups become more cohesive.
Dilemma in Management: the OD Intervention

• Organization development interventions often produce change results that are viewed as positive.
• However, any change agent involved in an OD effort imposes his/her value system on those involved in the intervention, especially when the cause for the intervention is coworker mistrust.
• Sometimes they walk a very thin line because for personal problems to be resolved in the workplace, participants must disclose private, and often sensitive information.
• Refusal to divulge such information may carry negative ramifications. On the other hand, active participation can lead to employees speaking their minds.

• But that, too, carries some risks. Saying what one believes can result in having that information used against one at a later time.

• Even though the intent was to help overcome coworker mistrust, the end result may be more back stabbing, more hurt feelings, and more mistrust among participants (see Exhibit 7-5).
Questions

• Do you think that coworkers can be too open and honest under this type of OD intervention?
• What do you think a change agent can do to ensure that employees’ rights will be protected?
Stress: The Aftermath Of Organizational Change

• Stress
  ➢ Occurs when individuals confront a situation related to their desires for which the outcome is perceived to be both uncertain and important.
    ❖ Positive stress: when the situation offers an opportunity for one to gain something
    ❖ Negative stress: when constraints or demands are placed on individuals

• Stressor
  ➢ A factor that causes stress
Sources of Stress

• **Constraints**
  - Barriers that keep us from doing what we desire.
  - Inhibit individuals in ways that take the control of a situation out of their hands.

• **Demands**
  - Cause persons to give up something they desire.
  - Demands preoccupy your time and force you to shift priorities.
Change, Dilbert Style

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Stressors

• Personal
  ➢ Family issues
  ➢ Personal economic problems
  ➢ Inherent personality characteristics.

• Organizational
  ➢ Task demands
  ➢ Role demands
  ➢ Technological advancements
  ➢ Work process engineering
  ➢ Downsizing
  ➢ Restructuring
Organizational Stressors: Role Demands

• Role conflicts
  ➢ Work expectations that are hard to satisfy

• Role overload
  ➢ Having more work to accomplish than time permits

• Role ambiguity
  ➢ When role expectations are not clearly understood
Personality Types

- **Type A personality**
  - People who have a chronic sense of urgency and an excessive competitive drive

- **Type B personality**
  - People who are relaxed and easygoing and accept change easily
Symptoms Of Stress

• Psychological symptoms
  ➢ Increased tension
  ➢ Anxiety
  ➢ Boredom
  ➢ Procrastination

• Behavior-related symptoms
  ➢ Changes in eating habits
  ➢ Increased smoking
  ➢ Substance consumption
  ➢ Rapid speech
  ➢ Sleep disorders
Reducing Stress

• Person-job fit concerns
  ➢ Match employees to their jobs, clarify expectations, redesign jobs, and increase employee involvement and participation

• Employee assistance programs (EAPs)
  ➢ Programs that help employees overcome personal and health-related problems

• Wellness programs
  ➢ Programs that help employees prevent health problems
Stimulating Innovation

• Creativity
  ➢ The ability to combine ideas in a unique way or to make unusual connections

• Innovation
  ➢ The process of taking a creative idea and turning it into a useful product, service, or method of operation
    ❖ Perception
    ❖ Incubation
    ❖ Inspiration
    ❖ Innovation
Structural Variables Affecting Innovation

- **Organic structures**
  - Positively influence innovation through less work specialization, fewer rules and decentralization

- **Easy availability of plentiful resources**
  - Allow management to purchase innovations, bear the cost of instituting innovations, and absorb failures.

- **Frequent interunit communication**
  - Helps to break down barriers to innovation by facilitating interaction across departmental lines.
Characteristics of an Innovative Culture

- Acceptance of ambiguity
- Tolerance of the impractical
- Low external controls
- Tolerance of risk
- Tolerance of conflict
- Focus on ends rather than on means
- Open systems focus
HR Variables Affecting Innovation

• HR practices that foster innovation

➤ Promotion of training and development so employee knowledge remains current

➤ Offer employees high job security to reduce fear of making mistakes and taking risks

➤ Encourage employees to become champions of change
Workshop: Practicing the Skill - Creativity

• The Situation

➢ As the nursing supervisor at a community hospital, you are interested in moving to cross-training for the emergency room teams and the floor nurse teams.

➢ You believe this would vary their responsibilities, improve patient care, and lower costs. Sue, the team leader of the emergency room nurses, says they’re needed in the emergency room where they fill the most vital role in the hospital:
  ❖ Work special hours when needed,
  ❖ Do whatever tasks are needed, and
  ❖ Often work in difficult and stressful circumstances.
Scott, the team leader of the floor nurse team, says the floor nurses have special training and extra experience unique to their teams:

- Heaviest responsibilities,
- Do the most exacting work, and
- Have ongoing contact with patients and their families.
- Neither team wants to train to learn and/or share the work of the other team.
Questions

• Identify the forces necessitating the change and the forces of resistance to the change.

• Identify at least one strategy for dealing with the forces resisting the change. (See Steps in Practicing the Skill listed above and review the seven techniques for reducing resistance to organizational change, Exhibit 7-4).

• After reviewing all of the information available to you relating to this situation and change management, would you implement this change? Why or why not?
Team Exercises Based on Chapter Material

1. Break the class into pairs. Have each student tell his/her partner about the most recent time he/she felt stressed. Have the partner then share the most recent time he/she felt stressed. Ask them to work together to identify if they shared common constraints or demands. Also ask them to categorize the sources of their stress into one of the five categories from the chapter (task, role, interpersonal demands, organization structure, or organizational leadership). How uncertain was their situation? How important? What psychological symptoms did they experience? What physiological symptoms did they experience? What behavior related symptoms did they experience?
2. Break the class into groups of 5. Ask them to each individually identify a change they experienced. Have the group categorize (according to the categories in Exhibit 7-1) the different changes. What forces for change were operating? Also have them identify whether each change was a “calm waters” or a white-water rapids” change. Did they resist the change? If so, why (see Exhibit 7-3). Finally, have the group make recommendations as to how they would advise managing that change for each person in the group (using techniques from Exhibit 7-4)
3. Allow the students to self-select into groups of 5. Assign each group a dimension of an innovative culture (acceptance of ambiguity, tolerance of the impractical, low external controls, tolerance of risk, tolerance of conflict, focus on ends rather than on means, open systems focus) and ask them to evaluate your current class on their given dimension for innovation. Ask them to provide a concrete, clear suggestion for you to improve the class in that specific area. (20 minutes). Then, have the groups present their analysis and recommendations one by one. If there is time, have them analyze a very different type of course (e.g. finance) in the same fashion. Discuss with them whether they believe all of the dimensions are possible in all types of organizations.