# ORGANIZATIONAL CHANGE - IMPORTANCE AND EFFECTIVE MANAGEMENT OF CHANGE

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## ABSTRACT

Organizational change is of high significance for all organizations. It can be considered as a procedure through which an organization directs its performance toward reaching its ideal state. Organizational change comes as e result of an ever-changing environment, a reaction to a crisis situation currently occurring, or is triggered by a leader. Successful organizational change is not just a process of adapting and adjustment, but also requires sufficient abilities and skills for managing. However, there are many issues to be tackled in order to achieve successful change. Hence, this project paper elaborates on what causes organizational change, approaches, its process and elements, then resistance and how to manage it and lastly the possible factors that might lead to its collapse.

## KEYWORDS

## JEL classification

## 1. INTRODUCTION

Every organization will come to a position where it will need to face any type of changes and most of these changes are brought about by management fads. Consequently, management fads incorporate in itself change in the process of doing business, culture, engineering, total quality as well as empowerment. On the other hand, several other changes are conducted by the organizations taking into consideration the competitive conditions. However, records show that strategic changes are actually poor within companies. This comes because of failing to understand that to formulate the plan of change is more important rather jumping directly into implementing the change. Changing the ways and manners of how people behave in the organization is the first step towards making a truly strategic change.

The ways on which the managers should concentrate on for a strategic change are three. Firstly, it is important to realize the behavior, attitude and the culture employees' exhibit. Second, designing the implementation of the change efforts to fit organizational context will lead to less stressful situation. Thirdly, changing people is what actually matters not changing the organization itself because employees and managers are the major part of any organization that would bring the pattern's change of conducting the business. A change in the entire setup of a company implies change in the way of thinking, way of doing, what they want to achieve, how

they want to achieve. A strategy in organization's context involves changes in terms the resources they have employed, the scope of the company and the competitive advantage they have on the competitor. While, strategic change incorporates change in terms of production quality and its difference it provides with the competitor's products. In harmony with the definition of strategic change, organizations and their external environment are the ultimate drivers of strategic change. The reason behind this is that the robust between organizations and their external environment forces like the existence of opportunities and threats, dictates the overall performance the firm depends upon. In other words, due to change in the forces of external environmental, organizations would most probably change their strategy to respond to these changes.

## 2. WHY IS CHANGE IMPORTANT IN AN ORGANIZATION?

In today's fast-moving environment, trying to keep up with the pace of change to any business is likely to be truly disappointed. In fact, organizations should embrace change. The importance of change for any organization comes as a result of seeing that any business would likely lose the competitive edge and fail to meet the demands of what most think to be a mounting base for gaining loyal customers.

Organizational change happens when an organization makes a transition from its present state to some desired upcoming state. Additionally, today's business environment requires firms keep up with changes almost constantly if they wish to constantly remain competitive. Factors such as globalization of markets and rapidly evolving technological advancements force businesses to respond in order to survive. Changes of this kind may be relatively minor like installing a new software program or bigger changes like refocusing an overall marketing strategy, transforming a company in the face of persistent foreign competition and fighting off an antagonistic takeover.

Organizational change initiatives often emerge out of problems faced by an organization. In several cases, however, organizations change from the forward motion of enlightened leaders who first identify and then develop new capabilities dormant in the organization or its state of affairs. However, organizational change might fail or result in resistance by the personnel. The failure might be due to the approach in which change has been foreseen, announced, and implemented or because internal resistance to it. Employees, in other words, interrupt those changes if they perceive them as adversative to their own interests.

## 3. THE DIFFERENT TYPES OF ORGANIZATIONAL CHANGE

Responding at its best to changes is not an easy task at all due to the availability of choices that exist on how one could approach them. Several types of change exist which managers can adopt with the aim of helping companies achieve desired future status. On the whole, types of change fall into two broad categories: evolutionary change and revolutionary change. Evolutionary change manifests itself gradually, alternating, and focused in a narrower way. (George & Jones 2007; Miller, 1980-1982[13]. Its main principle is to make continuous improvement in order to fiddle with the environment changes (Wick, & Quinn, 1999)[14].

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[13] George, J. M., & Jones, G. R. (2007). *Understanding and Managing Organizational Behavior* (5rd) New York: Pearson Education, Inc.

[14] Wick, K. E., & Quinn, R. E. (1999). *Organizational change and development.- Annual Review of Psychology*, 50, 361-386.

Revolutionary change manifests itself in a more rapid, vivid, and focused in a broader way. It often occurs when the present operation scheme can no longer accomplish the demand of the external environment, and a noteworthy change has to be made in a short period to keep the organization work. The most far and wide known types of evolutionary change is the theory of socio-technical systems, management by objectives and total quality management (George, & Jones, 2002; Yang, Zhou, & Yu, 2009)[15].The theory of socio-technical systems stresses out the significance of the social and technological views within the organization along the process of change. With other words, it gives the accent to the development of the most advantageous partnership between members of the organization and the technology. Next, management by objectives specify the weight of regular meetings between management and its subordinates. The objective is to evaluate work performance, assess future work goals and thrash out challenges and barriers in an endeavor to motivate work efficacy and coherence (Cummings, & Worley, 2001)[16].

There are also three crucial types of revolutionary change: reengineering, restructuring, and[i] innovation (George, & Jones, 2002)[17]. First, reengineering involves the essential rethinking and fundamental redesign of business processes to accomplish dramatic improvement in serious, contemporary actions of performance such as quality, cost, service, and speed (Hammer & Campy, 1993)[18]. In addition, when organization experiences a quick worsening in performance, managers may attempt to turn things around by reform and reorganization. For instance, a company tries to make straightforward its organizational structure by eliminating divisions, levels in the hierarchy or departments; and downsizing employees to lower working costs. Innovation as it will be more thoroughly elaborated in the project later on, is the successful use of skills and resources to construct new technologies or fresh goods and services so that an company can change and better response to the demands of customers (Jones, 1988)[19].

## 4. AREAS OF ORGANIZATIONAL CHANGE

Each area, of course, is interrelated with the other and companies often must apply changes each of them when they endeavor to make changes in one. Strategic change for instance, can happen on a large scale when an organization shifts its resources to penetrate a new line of business or on a small scale for instance, when a company makes productivity improvements in order to lower the costs.

### 4.1. Technology

Technological changes usually represent the apparatus of greater strategic changes, although they sometimes take place on their own. A crucial aspect of changing technology is deciding who in the organization will be endangered and threaten by the change. To be successful, a technological change must be implemented into the organization's overall systems, and the structure of the management must be developed to support it. Moreover, structural changes can also happen due to strategic changes - as in the case where an organization decides

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[15] George, J. M., & Jones, G. R. (2002).*Understanding and Managing Organizational Behavior* (3rd) New York: Pearson Education, Inc.

[16] Cummings, T. G.., & Worley, C. G. (2001). *Organization Development and Change*. Cincinnati, OH: SouthWestern College Publishing.

[17] George, J. M., & Jones, G. R. (2002). *Understanding and Managing Organizational Behavior* (3rd). New York: Pearson Education, Inc

[18] Hammer, M., & Champy, J. (1993). *Reengineering the Corporation*. New York: HarperCollins.

[19] Jones. (1988). *Organizational Theory*. In Burgelman, R. A., & Maidique, M. A. *Strategic Management of Technology and Innovation*. Homewood, IL: Irwin.

to get hold of another business and must integrate it - as well as due to changes in a managerial style or operational changes. For instance, a company that wanted to execute more participative decision making may require changes in its hierarchical structure. Changes in the people or employees is a necessary action to be taken due to other changes, or sometimes companies only look for change in workers' attitudes and behaviors in order to rise their effectiveness or to inspire individual and team creativeness and hard -work. Usually people changes are the easier said than done type of changes and vital part of the overall change process. So, the science of organization development was created to arrange on changing people on the job through various techniques like education and training, career planning and team building.

## 4.2. Customer Needs

A world constantly evolves and together with it customer needs grow and change as well, opening new requirements for new types of goods and services and creating new areas of opportunity for organizations to meet needs.

## 4.3. The Economy

The impact of the area of economy is great to organizations, the influence can be stressful and manifested in both positive and negative ways. Expansion incorporating additional personnel, facilities and resources must be taken into consideration, if there is a strong economy and rising demand for goods and services. Opportunities for staff brought about by these changes are very precious and beneficial, but also represent new challenges to deal with. On the other hand, a weak economy gives an open way to more problems as organizations find themselves obliged to make hard decisions that can blow employees' salaries and benefits and even threaten their jobs. At this point what is crucial for companies is the ability to quickly manage both ends of the continuum in order to maintain a powerful brand and strong relationships with consumers/customers as well as employees.

## 4.4. Growth Opportunities

Change is important in any company because in this way employees learn new skills, exercise their creativity in ways that ultimately benefit the company through fresh ideas and increased commitment and it also offers chances to them explore new opportunities. Basically, preparing employees to confront successfully with these changes includes a deep analysis of the tools, methods and training needed to help them acquire new skills. Moreover, training can be provided through both ways traditional and online. Traditional classroom settings, for instance, are still practiced or, increasingly, through different online learning opportunities in the form of courses. Significantly, companies need to do a well-obtained job of evaluating employees' skills and capabilities and then undertaking necessary steps to fill the gaps between present skills and the skills required to respond to growth.

## 4.5. Challenging the Status Quo

To affect the bottom line directly, a simple burden of asking the question 'why?' can produce many answers leading to fresh ideas and innovations. Organizations benefit from change that whose outcomes create new ways of looking at customer needs, new ways of strengthening customer interactions, new ways of delivering customer service and new products that might attract new markets where a company can in turn penetrate. Furthermore, new employees joining a company are especially important and valuable because they can often point to areas of

opportunity for improvement rather than those who have been involved for a longer period in the organization and who may have overlooked. However, even existing employees/workers should be encouraged and motivated to question why things are done in a particular way and search for new ways to get the tasks and work done faster, better and with greater levels of outcome, quality and service.

## 5. TOTAL QUALITY MANAGEMENT

The process by which management and employees are engaged and involved them self in the constant and day by day improvement in products and services is defined as Total Quality management8[20]. The fundamental aim of the TQM is to boost the business towards higher levels by the combination management apparatus and quality and to avoid as much as possible the unnecessary outcomes that happen due to wasteful practices. Additionally, in TQM the word quality is a trait that describes the attitude and behavior and the overall culture of a company, striving to provide better services and goods to their customer. The whole philosophy integrating all organizational functions should direct it energy and focus on the satisfaction of customer needs. Besides, TQM shows the way to constant improvement in all aspects of the business that definitely causes the continuous improvement in capabilities of people, procedures and processes, technology and machine capabilities.

### 5.1. Elements of TQM

The process of TQM incorporates several elements that are being used by a company. These are:
- Involvement of leadership and upper management
- Vision, mission and guiding principles
- Job-related skills training, communication, teamwork and leadership
- Improvement of the overall communication
- Customer satisfaction
- Focal point is improving the working environment
- Struggle for continuous improvement

## 6. INNOVATION AND CHANGE

Innovation has to be supported by collaboration, ideation, implementation and value creation.

### 6.1. Collaboration

Teamwork is crucial to getting things done. Nowadays the global and digital 24/7 world, challenges are more complex; it's becoming highly important to bring more diverse and fresher minds to the table and to break down silos.

Collaboration is one kind of group activity familiar to community development. In addition, there is no shortage of initiatives which intend to be two-way. It is true that collaboration has never been easy, mostly because competition and conflict within and among teams dominates the scene. As everyone tends to avoid tension, what we actually may be left with in communities is peaceful coexistence, and not collaboration. Furthermore, it may be a good time for re-thinking

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[20] Kristen Terry (2010)

collaboration as collaboration means to work together on the relationships towards a well-prepared process in achieving common outcomes.

## 6.2. Ideation

Fresh, new ideas help your organization stand out. With passionate competition for resources, companies must differentiate in order to survive. Mark Lange[21], was the presenter in the session entitled "Accelerating Entrepreneurship and Its Impact on Community and Economic Development."

The Edward Lowe Foundation makes use of ideation to elaborate entrepreneurship in the form of economic development strategy. Lange says:

- Companies headquartered out of the state do not provide much more influence on job creation than the local businesses
- Taking care of second-stage businesses is highly important to job growth
- Business relocation has not a much larger impact on job creation compared to business expansion.

## 6.3. Implementation

How good are the ideas if they are not practiced? Organizations must appoint the best people to champion their ideas and keep boosting those good ideas moving forward. So, there is no shortage of conversations on how technology is changing lives and how technological innovations and advancements are being implemented at the speed of light.

## 6.4. Value Creation

If the new ideas are able to create vale that's when you have created an innovation. Companies must implement ideas and programs identified as most efficient and effective in delivering value to all involved stakeholders.

The main purpose of innovation is to create business value. Value is explained in many ways, such as the creation of entirely new goods and services, incremental improvements to existing products or cost reductions. Businesses strive to create value because their survival, growth and ability to compete in a speedily changing market highly depends on whether they innovate effectively[22].

## 7. MANAGING ORGANIZATIONAL CHANGE

Planning and implementing change in organizations in such a way as to minimize employee resistance and cost to the organization while simultaneously maximizing the effectiveness of the change effort are all elements within the process of effectively managing organizational change.

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[21] executive director of the Edward Lowe Foundation

[22]https://www.stlouisfed.org/publications/bridges/summer-2009/the-four-key-elements-of-innovation-collaborationideation-implementation-and-value-creation

## 7.1. Resistance to Change

In the procedure of a change, no matter how small, the manager should expect to expect some resistance from within the organization. Resistance to change is considered as normal phenomenon; people stick to habits and to the status quo most of the time. However, resistance can be minimized by good managerial actions. In addition to this, people must be motivated to shake off old habits. This must occur in stages rather than suddenly so that "managed change" is manifested as "natural change." Moreover, to normal inaction, organization change introduces anxieties about the future and if future after the change comes to be perceived positively, resistance will be present in a lower extent.

Key ingredients in minimizing negative reactions and feedback are education and communication. Employees can be informed about both the logic behind it before it takes place through, group presentations, or individual discussions, reports, memos and the nature of the change as well. Another important component of overcoming resistance is inviting employees to involve themselves and participate in the process of the design and implementation levels of the change effort. What can be deployed, are organized forms of facilitation and support. Managers can make sure that employees/workers will have the resources and tools to bring about the change. Furthermore, managers can make themselves available to provide explanations and to minimize stress arising in many angels of situations.

Some organizations manage to overcome resistance to change through negotiation and rewards. They offer employees very concrete incentives to make sure their cooperation is guaranteed. Other organizations resort to using subtle tactics such as giving a resistance leader a prominent position in the change effort, which in other words can be called manipulation. A final option is coercion, which comprises of practices such as punishing people who resist or using force to ensure their cooperation. Although this method can be useful when rapidity is of the essence concern, it can have quite negative effects on the organization. Of course, no method is convenient and appropriate to every situation that might happen in the company, and a number of different methods may be combined if they promise better results.

## 8. FORCES IN ORGANIZATIONAL CHANGE

According to Lewin's model of force-field analysis, a company is an open system. There are two forces in organizational change (Lewin, 1951)[23], one it is the driving force - switching of the company to a totally new direction; while the other it is the restraining force - preventing the company from changing. In situations when the driving force is more powerful than the restraining force, change in the company occurs, and the company will shift towards a new direction, while when restraining is more powerful than the driving force, organization will stay at the excising position; and when both of these forces are equally powerful and balanced, it will stay stable for some limited period. Additionally, when organization is about to change, there are various forces to prevent them from change, which is the above-mentioned restraining forces. Moreover, restraining forces can be divided into three levels: individual level, secondary unit level, and organization level. (Yang, Zhuo, & Yu, 2009)[24]. These factors mentioned in the level of a company include the organizational structure inactivity, system anxiety and the pressure from past success as well as managerial culture. Next factors in secondary unit level include the different point of view and conflict of interest arises between different departments. First, factors

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[23] Lewin, K. (1951). *Field Theory in Social Science: Selected Theoretical Papers*. New York: Harper & Raw.

[24] Yang, R. S., Zhuo, X. Z., & Yu, H. Y. (2009). *Organization theory and management: cases, measurements, and industrial applications*. Taipei: Yeh-Yeh

in individual level include the lack of trust, misunderstanding, own benefit threat feeling, uncertainty, custom and so on so forth. The question arises on how to manage such factors that may threaten the successful change of the business. The active ways to gain the support of organization's members are through communication, education, involvement and active participation. On the other hand, the passive ways to diminish members' resistance are the following acts: negotiation control, assistance, and coercion (Kotter, & Schlesinger, 1979)[25]. These represent the most effective methods and approaches in different situations. Therefore, the supervisor must manage the organization change at all steps.

## 8.1. Techniques for Managing Change Effectively

Moving the business from its present state to a future desired situation at lower costs to the company is actually effective and successful management of the change Key steps in that process are:
1. Considerate attention on the present state of the company -this means to identify problems and troubles the company faces right now. All these problems should be given a priority according to its state of urgency and assessing the sorts of changes needed to solve the particular problems.
2. Proficiently envisioning and thoroughly structuring the state of the company which is desired - this point is when you basically picture the ideal condition for the company after the change is implemented, transmitting this vision clearly to everybody involved in the process of change effort, and scheming a resources for transition to the new state. An important part of the transition in this phase is to be able to manage stability and other components such as key staff together with the organization's overall mission, which should remain steady in the center of chaos to help people decrease the level of stress and anxiety.
3. The order in the implementation of change is crucial – supervising and dealing effectively with the transition may be useful to design a plan, find the necessary resources, and employ a key individual to take care and be constantly in charge of the change process. The leaders of the company should attempt to produce enthusiasm and euphoria for the change by sharing their visions, aims and goals, and acting as role models. In some cases, it might be beneficial to direct energy for smaller victories first in order to open the way for later greater successes.

Of course, change in natural. A more creative way of facing with the dynamisms of transformation in industries rather than watching them happen in a chaos way, proactive management of change better adapt with the future is invariably a more required process that will show greater results with the help of the organization's human resources management rather than without them.

## 9. WHY DOES ORGANIZATIONAL CHANGE FAIL?

According to a research conducted by Mckinsey (Isern & Pung, 2007)[26], 38 percent of the interviewees responded that the change implemented in their company successfully increased their performance in the work, and 30 percent responded that they think the change within the organization has managed to provide a long term health in the overall business process. This is a result of several factors that have considerate effects on either success or failure of the business.

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[25] Kotter, J. P., & Schlesinger, L. A. (1979). *Choosing strategies for change*. Harvard Business Review, 57, 106-114

[26] Isern, J., & Pung, A. (2007). *Harnessing energy to drive organizational change*. McKinsey Quarterly, 1, 16-19.

The six most vital factors are the following: the reluctance or readiness to change, quick solution expectation, lack of systematic plan for organization change, the spotlight of change activity instead of result, mismatch between change plan and company context as well as generally poor management in the whole change process (Yang, Zhuo, & Yu, 2009)[27]. Organizational change is achieved successfully if all these factors are considered and reviewed carefully. The following part of the paragraph will explain one by one each of them briefly. To be ready to change means the extent of positive acceptance and realization that the change is more than necessary accompanied by positive attitude toward the effect of change on self and the company (Armenakis, Harris, & Mossholder, 1993)[28]. The more you prepare, the greater the reception and decision-making power of the member would be. At the same time as groundwork is lower, the greater is the resistance to change, and the probability of organizational change to fail is going to be.

One more common reason why change in organizations can fail, is that most of the companies do not take the systematic viewpoint to make a holistic plan for organizational change. For instance, overlooking other factors that may affect employee's behavior like, structure, the system of organizing, culture, and so on so forth, and the trying to make change only through education and training does not work. Furthermore, some companies undertake identical plans of change applied to all departments and individuals without considering their differences.

Another error is to make a quick decision and quick solution. They usually suppose that if they introduce a set of organizational changes can solve all the troubles, and that recruiting an consultant out of the company can help on everything. However, this expectation, leads to a high dependence on the consultant which would make them invest less which in turn can end the plan programme too soon if the obtained results do not match their expectations believed in the start.. Besides, when designing the plan for the organizational change, members usually take the motion and change activity too seriously, while neglect the most important change goal itself. Therefore, members involve themselves in the activity energetically, but the achievement is actually quite limited.

Finally, poor management in change process is the next mistake that could be fatal. Numerous factors have to be considered and evaluated, moving, freezing or unfreezing levels. Overlooking definite factors go ahead to total failure of the organizational change. Lastly, the harmony between organizational context and the plan of change may also play a crucial role in the success or failure of organizational change. Thus, organizational change is to frame a new pattern of thinking and behavior in employees and when the new pattern contradicts with the old ones, the reluctance to change tends to make the plan to fail. Therefore, when designing a change plan, we must include the organizational context.

## 10. CONCLUSION

We can conclude that organizational change is one of the most significant factors, which through innovation and improvement obtains the intended success and productivity, which make companies survive in the era of vigorous competition. Organizational change happens for a number of reasons. Often this is because of changes in the internal and external environment. Factors of different nature such as globalization of markets and speedily evolving technology force businesses to respond in order to stay alive.

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[27] Yang, R. S., Zhuo, X. Z., & Yu, H. Y. (2009). *Organization theory and management: cases, measurements, and industrial applications*. Taipei: Yeh-Yeh.

[28] Armenakis, A. A., Harris, S. G., & Mossholder, K. W. (1993). *Creating readiness for change*. Human Relations, 46, 681-703.

Organizations implement changes to increase the effectiveness of the business. Change can be a complex process and there may be barriers to overcome. This is why implementing change programmes within an organization or a company requires effective managers.

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