

## Chapter 9

### 9.0 Management of Strategic Change

Management of change is implied in strategic management, because the state of organisation changes after implementation of strategy (some or all of organisation resources/ infrastructure undergo change<sup>1</sup>). While the management change is directly related to strategy implementation, the agenda and tone of change is set in the strategy formulation itself, because the lead for implementation comes from strategy formulation. Strategy formulation, implementation and managing strategic change are thus integral to each other and thus also to strategic management. One can't appreciate the challenge of strategy formulation and strategic management itself, without appreciating the subject of management of change in general and strategic change in particular.

#### 9.1 Nature and Scope of Strategic Change

At this stage it may be desirable to differentiate between the strategic changes from other forms of organisational changes. There are variety of small and major changes in procedures, systems, functional policies like marketing, technology changes and so on. They are normally confined to small part. The word strategic change is often referred loosely as changes that are organisation-wide or affect a large part of organisation or its elements, changes that are immensely significant and so on.

From strategic management point of view strategic changes may be understood as changes in the type of business (defined by product / market scope) portfolio or in the character of organisation (the way the business is to be carried out), which is typically referred as the transformational changes. For example a company may like to grow at a rate which will make it twice its present size in next 5 years or an electrical company may want to grow by diversifying in cement or telecom business. It will require more / new type of physical infrastructure as well as financial, organisational and human resources. But it may not require a change in the organisation character, the way business is to be carried out, the mission, the basic values, customer orientation, quality concerns etc. all of which fall in the category of transformational changes.

Strategic change can be broadly classified into three broad categories, namely:

1. Simple, linear (expansion of existing businesses)
2. Mixed (Diversification- related and/ or unrelated, internationalisation of business, Removing Strategic Incoherence etc.)
3. Complex, non-linear (Turnaround and transformation, Mergers/ acquisition/ divestiture, changing dominant business portfolio etc.)

#### 9.2 Basics of Managing Change

To understand strategic changes, it is necessary to understand fundamentals or basics of change process discussed below.

##### 9.2.1 Magnitude of Task of Change

Organisational changes could be major or minor, depending upon several factors. One of the key factors is the nature of change. Organisations consist of passive elements (like plant and machinery etc.) and active elements represented by human beings. It is this active element that mostly determines the magnitude of change, as it poses resistance to change. The magnitude of change increases with the depths to which the change affects them.

Personality of human beings can be represented by an onion, having several layers<sup>2</sup>. The innermost is represented by core values, beliefs etc. that an individual preserves. These are too sacrosanct for oneself and more difficult to change. The next layer represents the attitudes and orientations of the individual. Comparatively these are more amenable to change. The outer-most layer represents the behaviour, habits etc., and is, comparatively, easiest to change, as it is most responsive to organisational policies and practices. Furthermore, since the behaviour of two persons as individuals and as a group is quite different qualitatively, the magnitude of task of change that affects a larger number of persons or group(s) and organizational elements, is a lot more than the one affecting only few isolated individuals.

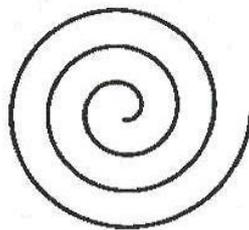


Fig. 9.1 Personality of a Person

The magnitude of change is also increased by the breadth of change i.e., the number of people affected by the change. Organisations can also be represented by several elements (see fig. 9.2) having complex relationships with each other<sup>3</sup>. A change programme may be confined to only few elements or it may involve many, thus multiplying the task of ensuring co-ordinated changes in concerned elements being carried out concurrently. For instance, changes in methods and procedures are comparatively minor. On the other hand changes encompassing strategy, policies, introduction of new concepts like corporate planning or technology of work (like computers) etc. are major ones. Transformational changes like "revitalisation" or "turning around" a sick company, in which several of the 7s elements are changed concurrently, when the very complexion of the organisation functioning may have changed, are indeed very major, "mega" changes.

The magnitude of change task, thus, depends up on the nature (depth to which it affects people) and the scope (breadth of coverage) of change and can be represented by the following function:

$$M_T = f(\text{nature \& scope of change})$$

The time span available for change along with magnitude of change task of change determines challenge of change. If the time available is large, the challenge of change task is small as compared to the situation when the same amount of change task is to be managed within a small time frame

$$\text{Challenge of Change} = f(M_T, \text{Speed of change})$$

In linear and to some extent mixed strategic changes the magnitude and challenge of change task is less compared to complex strategic changes.

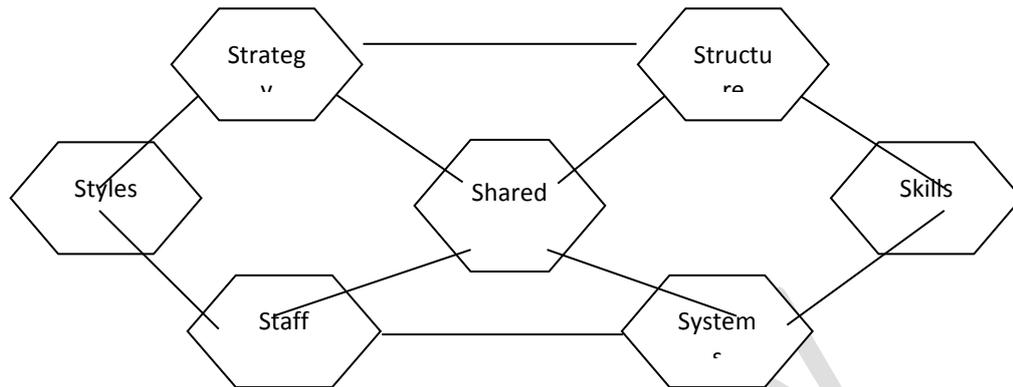


Fig.9.2 McKinsey's 7s Model

The complex, nonlinear changes strategic changes have several distinguishing characteristic features. The change is often not confined to one transition, but there is a whole set of different transitions. While some of them may be explicitly related to one another, others may be unrelated. Further not all the transition that are initiated get completed. In such changes, it is difficult to predict or define the future state precisely. Often there are many unknown factors involved that limit the ability to describe future state. At times, although state can be described, there is high probability that events will change the nature of that state before it is achieved. Finally, the large scale changes mostly take long periods of time to implement. The dynamics of managing change over such long period as three to seven years, is different from those needed to manage a change with a direct beginning and end, and having short duration.

### 9.2.2 Types of Changes

The organizational changes can also be described on the dimensions of the scope and the management responsiveness. Changes that are focused on individual pieces or components, with the purpose of maintaining or regaining congruence among various elements may be called incremental changes<sup>4</sup>. Changes that are significant and addressed to organization as a whole or to most or all of the components (as of 7S model) may be called strategic changes. Such changes frequently involve breaking out of the current patterns of congruence and helping organizations to move to a completely new configuration. In other words incremental changes are those which are made within the context or 'frame' of current set of organizational strategies and other components. Strategic of business, shift of power, alternations in culture etc.)

The second dimension or the management responsiveness concerns the temporal positioning of the change in relation to key external events. Some changes that are reactive to external events in that they are clearly in response to an event or series of events that occur. There are others, which are initiated in anticipation of (not in response to) the external event that may occur.

Thus, the organizational change can also be classified in four different types as shown in fig. 9.3. The incremental changes that are made in anticipation of future event is more of tuning (akin to adjustments in an auto engine) to increase efficiency, but not due to any immediate problem or need. In contrast, Adaptation are small changes made in response to a new technology, competitors action etc. Strategic changes like those introduced through strategic planning (moving or diversifying into new lines of business, internationalization of business etc.) which are

self aspiration initiated or in anticipation of future environment may be called Re-orientation. These have continuity with past and done without breaking current organizational 'frame'. Indeed, they often capitalize on the same. Re-creation (turnaround) / transformational changes are organizational frame breaking changes, involving radical departure from past, necessitated by external events that are threatening the very survival of organization.

### Magnitude of Change

		Incremental	Strategic
<b>Mode of Change</b>	Anticipatory	Tuning	Reorientation
	Reactive	Adaptation	Re-creation

Fig. 9.3 Types of Organizational Changes

### 9.2.3 Pace of Change and the States of Organisation

The speed of introduction of a change and the magnitude of change together determine the state in which the organisation finds itself at any point of time<sup>5</sup>. If the magnitude of change is low and the rate of change is also low, the organisation is in the "stagnant" state, and it is not a desirable state in long run as organisations have to constantly adapt themselves to the changes in the environment. Small changes at high speed do create "tumultuous" state in the organisation.

### Magnitude of Change

		High	Low
<b>Pace of Change</b>	Low	Transitory	Stagnant
	High	Turbulent	Tumultuous

Fig. 9.4 Magnitude/ Rate of Change and Organisation State

Changes of large magnitude introduced at high speed create "turbulence". Large changes gradually introduced pave way for smooth "transition" of the organisation from existing to the new state. From the view point of managing change, "turbulence" should be avoided as the organisation may also go out of control and it requires very high degree of varied change agent skills to revert the organisation from "turbulent" to "transitory" or "stagnant" state. "Transitory" and "tumultuous" states are perhaps the only options available out of four. Among the latter two, it is not a matter of choice as the magnitude of change is determined by the change issues and is hardly a choice for the change agent. For example a change in strategy may require change in structure, systems, skills and staff, and the choice remains only in strategy and rate of change and not in the magnitude of change.

### 9.2.4 Actors in a Change Process

There are three distinct actors in a change programme<sup>6</sup>, namely the change clientele (often the top management) the change agent, and the change target. The change target is a person or a set(s) of persons some of whose attributes are to be changed through the change programme. The change agent is the person or set(s) of persons who are entrusted with the task of effecting change. Change clientele is the person or set(s) of persons who desires the implementation of the change

programme and whose sanctions are necessary for effecting the change.

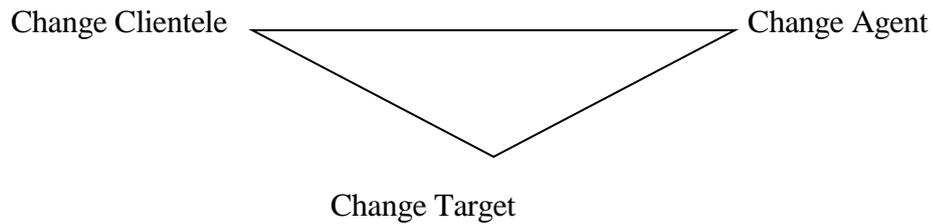


Fig. 9.5 Actors in a Change Process

It may be noted in that it is not necessary that these actors are different person/set (s) of persons. The change agent could be change clientele as well or a part of change target. Similarly, the change clientele could be a part of change target too; or all the three roles may coalesce into one. There is, however, need for having the clarity of the distinction between three roles as at times the confusion may lead to failure of the change attempted.

It must also be remembered that the choice of change clientele and change target is not a question of choice for a change agent. These virtually get determined by the change issues involved in change programme. The change issues too get determined by the solution sought for an organisational problem (see section 10.10.1). Redefinition of the problem or alternative solutions may thus completely revise the change issues and, thus, the change clientele and the change target.

Except a few minor (technical) changes, in most of the organisational changes, the change target and change clientele is represented by groups. They may not be homogeneous. The problems of managing change are compounded with the heterogeneity of the group, particularly that of the change clientele, as seen in case<sup>7</sup> of Parc Tauli Consortium Hospital (A) and (B).

To some it may appear that in case of strategic change, which are normally introduced by top management, there may be no relevance of the above clarity as the top management is change clientele. But, if one considers various stakeholder, even the top management as change agent may face other dominant stakeholder at the point of time. Hence it is better to keep the clarity while planning and introducing strategic change.

### 9.2.5 Process of Change-The Three Stage Model

Conceptually a change process can be represented by a three stages<sup>8</sup>. The three stages are: (i) Unfreezing (ii) Moving (iii) Refreezing (see fig.9.6). The unfreezing is aimed to motivate individuals and groups for change. It is "thawing out process" where the forces acting on an individual are rearranged so that he sees the need or inevitability of a change. The elements that mark the unfreezing interventions are like the following:

- \* the physical removal of individual being changed from his accustomed routines source of information, or social relationships,
- \* the undermining and destruction of all social support
- \* demeaning and humiliating experiences to help the individuals being changed to see his old self as unworthy and thus motivated to change,
- \* "pulling out the carpet beneath one's feet", by negating the established norms, basic assumptions / premises of current way of working.

In the moving phase the individual is ready to change, he is to be provided new patterns of behaviour and be facilitated to change. If the coercion is used for moving for the consideration of expediency, the unfreezing action may continue even during the moving phase, using the persuasive/ re-educative strategies (discussed in next chapter) for unfreezing.

The re-freezing refers to finally adopting new set of behaviour through developing compatibility between various elements of the organisation, ironing out major mismatches. Re- freezing is at times only completing the task of unfreezing which could not be done while "moving", by applying / increasing the strength of driving forces in form of coercion, when the felt need was low or there were reservations against the change.

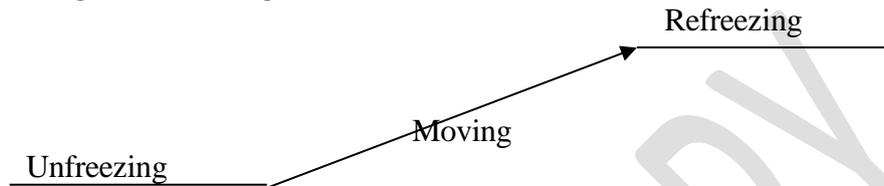


Fig.9.6 Process of Change

The model holds true for all types of changes , whether minor or major, although in specific terms it will differ from one change programme to another in terms of nature scope, and degree of unfreezing. For instance, the task of unfreezing may be quite different while introducing changes in functioning like introduction of computers or budgeting as compared to turning around a company. In terms of implications for managing change, according, the prescriptions will change from one change programme and organisational context, to another.

### 9.2.6 Force Field Analysis

To comprehend and appreciate the challenge of strategic changes<sup>9</sup>, it is desirable to start with fundamentals of barriers and resistance to change.

Lewin's field theory provides a way to understand the task of unfreezing, moving and refreezing. It proposes that existing state at the time of effecting a change programme is in a quasi-stationary equilibrium.

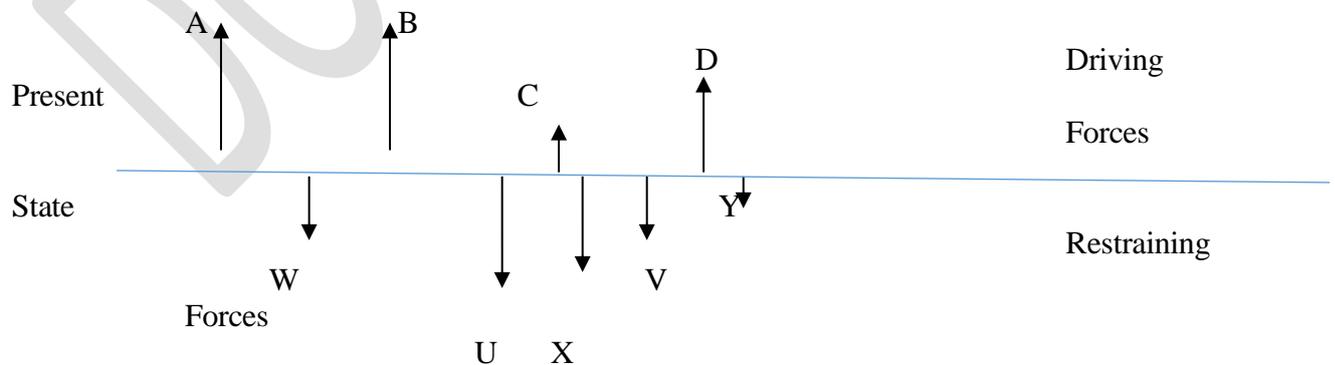


Fig. 9.7 Force Field in a Change Situation

Take for example production in a factory at present say P unit level (see fig.9.7). According to Lewin the force tending to raise the level of production (A, B, C) are equal to the forces tending

to depress it. (U.V.W....). The forces A, B, C may be called driving or facilitating forces and U.V.W.... may be called as restraining forces. These forces are operating in a "Force Field" and result in quasi stationary equilibrium. A change occurs when there is an imbalance between the sum of the restraining forces and driving forces. Thus a change can be effected by a change in magnitude of any force, addition of a new driving force or deleting one or more of existing restraining force or reducing their power.

The driving forces may be generated from such factors like the benefits people are expecting from the change programme, general openness to change, a high felt need for change emanating from external environmental pressures or internal environmental pressures (like increased aspiration level of the key decision makers). The example of restraining forces that causing deep freezing are such factors as long established policies, practices, norms, ethos, assumptions about way of life long established organisational relationship (formal/informal), benefits people have been getting, cultural values, beliefs of people. Details of the restraining forces discussed later in the next chapter, followed by discussion on driving forces.

The major challenge to change comes in the form of unfreezing. The stronger the freezing the tougher is the task of unfreezing becomes in terms of barriers to change details of which are discussed in the next chapter.

It may be noted that unfreezing, moving and reversing is usually not a one shot process except in case of some minor change efforts. Most of the organisational changes comprise a set of several minor/major changes. Since it is the freezing phenomenon which leads to the task of unfreezing, it is neither necessary nor desirable to go for freezing until the change programme is almost implemented in full, except those aspects of change programme which are common to all the changes or in which unfreezing may not be required. Strategic changes (especially complex ones like turnaround and transformation, mergers etc.) are typically of latter type.

Depending upon the issues involved and the number of changes in a change programme, the unfreezing may be local (limited to a group, division or department) or it may be global organisation wide. For instance while introducing a new practice or technology, it may be limited to a small organisational unit. On the other hand in cases like "turnaround" and "revitalisation" exercise, global unfreezing in terms of changing basic assumption about ways of working, norms, values, organisational relationships, and organisational policies may be changed organisationwide.

### **Review Questions**

1. Discuss the nature and scope of organizational changes. How do they impact on challenge of managing them?
2. Explain the actors in a change process. Why is it important to know them?
3. Describe different types of change processes.
4. What care should be taken in pace of managing a change?
5. Explain the stages in a change process. In what way they are different from each other?
6. "Restraining forces may be like springs". Explain with examples. How do they affect the task of managing change?
7. Discuss force field analysis. How does it help in conceptualizing and executing change programmes?
8. Why understanding of management of change

### **References**

1. See chapter 2 on strategy implementation.
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3. Waterman Robert H. et. al. "Structure is not organisation" **Business Horizon**, June 1980.
4. Nadler, David A., "Organisational Frame Bending: Types of Changes in Complex Organizations", **Corporate Transformation**, Ralph, H. Kilman et. al (ed.). California (1988)' Jossey- Bass Inc.
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