**L2: THE NATURE AND CAUSES OF CHANGE**

1. The multiple causes of change: 3 types of environment that act as triggers for

 organisations to change:

1. Temporal (historical) environment: from agricultural to service industries; cycles of

organisational development over the history in the general way and changes in the life cycles of organisations in a specific way.

1. External environment: PEST; Porter’s five forces of change
2. Internal environment: changes in behaviour of organisational people,, organisation activities, strategy, structure, products and services, technology and reward systems.

 NB: It is not necessary that the organisation responds to the forces for change coming

 from outside the organisation all the time. The organisation itself may at times influence

 the factors external to the organisation. E.g. Advice to the Government on matters like

 education policy or industrialization programme or some technological advancement or

 development or employ-employee relationship, etc.

 *Analysing the causes of change*

 It has to be careful to identify the triggers for change and their relationships. (Revisit the

 case: SHELL in Nigeria.)

The External Environment

When we talk of the external environment, we are actually referring to the elements existing in it. These elements are distinguished into two categories:

1. Those that indirectly influence the organisations such as the politics, economics, socio-culture and technology (PEST/STEP) and they are considered to be in the general environment.
2. Those that directly influence the organisations such as the Porter’s Five Forces such as suppliers, buyers, competitors, new entrants and substitute producers and are considered to be in the industry/immediate environment.

These two categories of elements change from time to time i.e. they are in a dynamic state. They can change in two possible ways:

1. The number of them changes at the same time.
2. The rate at which they change.

Many authors such as Ansoff and McDonnell (1990), Strebel (2000) and Stacey (2000) have described the kind of changes these elements would go through.

2. How the environment turbulences (winds of change) are being described.

|  |
| --- |
|  Environmental Forces for Change |
| Ansoff & McDonnell (1990) | Strebel (1996a) | Stacey (1996) |
| a) Predictableb) Forecastable by extrapolationc) Predictable threats &  opportunitiesd) Partially predictable  opportunitiese) Unpredictable surprises | weakModerateStrong | Close to certaintyClose to certaintyFar from certainty |

For each stage of change in the external environment a corresponding response can be made by the organisation. Organisational responses to the changes in the external environment are described by Dunphy and Stace, Strebel, Grundy or Tushmen et al shown in the table below.

 Organisational Responses to Environmental Triggers for Change

|  |  |  |  |
| --- | --- | --- | --- |
| Tushman et all (1988) | Dunphy & Stace (1993) | Grundy (1993) | Stacey (1996) |
| Converging (fine tuning)Converging (incremental)Discontinuous or frame breaking | Fine-tuningIncremental adjustmentModular transformationCorporate transformation | Smooth incrementalBumpy incrementalDiscontinuous | ClosedContainedOpen-ended |

The managers must be able to make the necessary organisational changes as the external environment changes to avoid having to make drastic or frame-breaking changes, which may have serious consequences on the organisation. If the environment changes slowly and steadily, then the organisation can make changes such as fine-tuning (improvements) or incremental adjustments.

The Systems Theory explains that an organisation is a part of a larger system. An organisation is looked upon as a subsystem of many other subsystems that make up of a system. Therefore whenever a subsystem within a system changes, the other subsystems may be affected and therefore they have to make the corresponding changes in order to create the necessary “fit” among the subsystems. If an organisation is not able to make the necessary change or adjustment then it may not be able to compete well in the system and therefore will not be able to operate successfully in the industry it is in.

In this Systems Theory an organisation becomes a part of a large system and as such there is no boundary separating the organisations from its environment. As a consequence, whenever changes occur in the external environment, the organisation is in one way or another affected by these changes and it must be able to respond to these changes in order to survive in the competitive world. If the organisation is not capable to do so, it will fail n its business.

According to Schein (1988) you must continually work to achieve “external adaptation” and internal integration” in order to survive in the long term. Furthermore organisations must “be quick on their feet” to anticipate and where possible opportunities and threats and react with knowledge to the unpredictable surprises that Ansoff & McDonnell (1990) spoke of.

Changes in the factors of the external environment can have serious consequences on organisations if the latter ignore them. As a positive response the organisations must be able to select those aspects of change in the external environment that are good or beneficial to the organisations and bring them into the organisations to be part of them. This is the process of external adaptation.

Subsequent to this process of external adaptation, the organisations may need to make the necessary changes to their structures, technology, strategies or management processes to accommodate the adaptation of the changes in the external environment. This process of internal changes made by the organisations is internal integration in order to consolidate their position in the face of changing external environment.

|  |  |
| --- | --- |
| Ansoff & MacDonnell | Dunphy & Stace (1993) |
| a) Predictableb) Forecastable by extrapolationc) Predictable threats &  opportunitiesd) Partially predictable  opportunitiese) Unpredictable surprises | Fine-tuningIncremental adjustmentModular transformationCorporate transformation |

***Emergent Change and Planned Change***

***Emergent Change***: This phase was coined by Wilson (1992) to describe two aspects of changes made by organisations in response to shifts in their environment when organisations emerge and go through their lives. They go through *fine-tuning* and *incremental adjustment* (change) to maintain stability. If the organisation can respond effectively to changes in the environments, then it does not have to go through the *frame-breaking* change. Wilson (1992) called this the ‘the emergent change’.

Fine tuning is the change an organisation makes to improve on what it has done or set such as a process, a task, a strategy, its structure or people. On the other hand, incremental adjustment involves making small changes to better the things such as strategy, structure, people and processes. Therefore organisations are maintaining their stability in the face of unpredictable environmental shifts.

***Double-edged sword***:

However Tushmen et all (1988) warned that the emergent change could behave like a “double-edged sword”. If organisations are constantly alert to the emergent change and implement it as and when required, they can avoid having to make drastic or frame-breaking changes. If organisations ignore the emergent change then the process of strategic drift continues i.e. an organisation’s strategy, structure and processes gradually move further away from the environment. Then organisations have to make more frame-breaking or revolutionary change to re-align the organisation’s purposes and operations with environmental imperatives. Therefore it is imperative that organisations are constantly conscious of emergent change and implement it as required in order to maintain the stability of organisations.

***Planned Change***: a process of logical incrementalism i.e. make changes in response to

environmental changes especially where opportunities exist (Quinns, 1980). His idea has been summarised by Stacey (1996) as follows:

1. Effective managers do not manage strategically in a piecemeal manner. They have a clear view of what they want to achieve, where they are trying to take the business. The destination is thus intended.
2. But the route to that destination, the strategy itself, is not intended from the start in any comprehensive way. Effective managers know that the environment they have to operate in is uncertain and ambiguous. They therefore sustain flexibility by holding open the method of reaching the goal.
3. The strategy itself then emerges from the interaction between different groupings of people in the organisation, different grouping with different amounts of power, different requirements for and access to information, different time spans and parochial interest. These different pressures are orchestrated by senior managers. The top is always reassessing, integrating and organising.
4. The strategy emerges or evolves in small incremental opportunistic steps. But such evolution is not piecemeal or haphazard because of the agreed purpose and the role of top management in reassessing what is happening. It is this that provides the logic in the incremental action.
5. The result is an organisation that is feeling its way to a known goal, opportunistically learning as it goes.

Quinn is saying that mangers should proactively manage incrementalism when making the corporate strategies.

***Predictable Change***

Greiner’s model of organisation life-cycle may help to predict the crisis point in the life of the organisation. (See diagram below)

**The organisation life-cycle (Greiner, 1972)**

 Phase 1 Phase 2 Phase 3 Phase 4 Phase 5

 Large 5: Crisis of ?

 4: Crisis of

 RED TAPE

 5: Growth through

 COLLABORATION

 Size of 3: Crisis of

 organisat- CONTROL

 ion. 4: Growth through

 COORDINATION

 2: Crisis of

 AUTONOMY 3: Growth through

 DELEGATION

 1: Crisis of 2: Growth through

 LEADERSHIP DIRECTION

 1: Growth through

 Small CREATIVITY

 Young Mature

 Evolution Stages

 Revolution Stages

Greiner conceived that an organisation grows in size and mature and its activities go through five phases and that each is associated with a different growth period in an organisation’s life. Furthermore, as each growth period moves into the next, the organisation goes through a shorter-lived crisis period as shown in the diagram above. This shorter-lived crisis period is made up of the evolution and revolution stages.

(See Characteristics of Greiner’s phases of growth)

A brief description of a typical life cycle pattern

1. The entrepreneurial stage

In this first (often entrepreneurial) stage, the first task to be achieved is to provide a service or manufacture a product. Survival is the key strategy. Organisational culture is fashioned by the founders of the organisation. It may be a brand -new organisation, a new subsidiary or part of an established, larger organisation. Success brings growth and the need to recruit more staff. Staff needs managing, and the question of future organisational strategy becomes more complex. The alternatives are to limit growth and remain small (but risk being unable to sustain competition) or to grow and recruit professional managers.

1. The collective stage

The organisation begins to take shape. Departments and functions begin to be defined and the division of labour is the dominant theme. The professional managers recruited tend to be strong leaders who share the same vision as the founders. Further growth brings the need for management control and delegation. The organisation has begun to establish its position, internal tasks are allocated and who has responsibility and autonomy to carry them out become pre-eminent.

3. The formalization stage

Systems of communication and control become more formal. There is a need to differentiate between the tasks of management - to make strategic decisions and to implement policy - and those of lower-level managers, who are expected to carry out and oversee operational decisions. Bureaucratization occurs as systems of coordination and control emerge, including salary structures, reward and incentive schemes, levels in the hierarchy, reporting relationships and formalized areas of discretion and autonomy for lower-level managers. The organisation continues to grow, but burdened by the process of bureaucratization the need for the structure to be ‘freed up’ becomes pressing.

4. The elaboration stage

This is the stage of strategic change. The organisation may have reached a plateau in its growth curve and may even show the first stage s of decline in performance. Managers used to handle bureaucratic structures and processes usually have to learn new skills to achieve change, such as team-work, self-assessment, and problem confrontation. This stage may also include the rapid turnover and replacement of senior managers.

Usefulness of Greiner’s Model of organisational Cycle

1. Useful for identifying organisation’s situation.
2. Provide warning of the next crisis to be faced.
3. Help planning of necessary change.
4. Assist managers and other organisational personnel to realise that change is inevitable as the organisation grows and matures.
5. Help legitimate the need for change and help to reduce resistance to change.

***Diagnosing Change Situation***

Some models and techniques for diagnosing the type of change situation existing at any one time in order to determine what kind of change approach to take.

1. Greiner’s model of the organisational life-cycle (directed towards structure and management) - useful for drawing attention to periods when organisational change needed.
2. Stakeholder, SWOT and PEST/STEP analysis - for strategic planning (avoid strategic drift).
3. Strebel (1996) - model of industry behaviour directed towards organisation’s competitive environment

So far the focus has been directed on the requirement to observe the organisational environment for signals that could trigger change within organisations.

Strebel (1996) has come out with a model of industry behaviour. This is different from Greiner’s model, which is linked to changes in the structure and management of organisation. Strebel’s model is linked to the organisation’s competitive environment. He uses the idea of the ‘evolutionary cycle of competitive behaviour’ to introduce the idea of ‘breakpoints’, in the sense that there are times when organisations must change their strategies in response to changes in *competitors’ behaviour*. There are two main phases in the cycle of competitive behaviour of an organisation:

1. The innovation phase when someone discovers a new business opportunity, and this triggers a breakpoint to introduce a phase in the evolutionary cycle that causes divergence in competitors’ behaviour as they attempt to exploit the new opportunity with innovative new offerings.

2. The convergence phase occurs after the innovation phase can no longer be differentiated (saturated). This happens when the competitors’ best features can no longer improved further and no one has come out with better offers. The offerings become converged and the returns to value innovation started to decline. This is when someone sees opportunity in this convergent situation in term of cost reduction. competitors then converge to TQM, continual improvement and re-engineering or restructuring of the business system in an attempt to cut costs and maintain market share.

The competitive cycle suggests that there are two types of breakpoint:

1. The divergent breakpoints associated with sharply increasing variety in the competitive offerings, resulting in more value for the customer.

2. The convergent breakpoints associated with sharp improvements in the systems and processes used to deliver the offering, resulting in lower delivered cost.

 Convergence

 of offerings

 **Breakpoint**

 **Efficiency**

 Survival of the

 fittest

  **Innovation**

 Variety creation

 Divergence **Breakpoint**

 of offerings

 **Evolutionary cycle of competitive behaviour**

Usefulness of Strebel’s model

1. For explaining the external environment in which organisations operate in particular the economic and technological aspects.

2. For showing how to detect patterns in the environment that indicate a breakpoint might be eminent.

Problems associated with identification of breakpoints:

Both formal and informal systems must be able to search for indicators from the environment. The formal system should be involved in scanning the environment, benchmarking and data collecting and interpreting the data collected. The informal aspect involves the open attitudes of managers and personnel to cooperate rather than compete among the divisions or departments. There must also exist a supportive culture to innovation and change.

***Hard (difficult) and Soft (messy) problems***

Information coming from the external environment is not always clear, it can be confused and diffuse and not easy to discern what type of situation actually prevails. These create problems for the managers to make clear and good decisions.

The problems can be from minor upset to major catastrophes, from temporary hitches to gnawing ‘tangles’. Patron and McCalman (2000) use the terms ‘hard’ and ‘soft’ to describe these two types of problems. Hard means ‘difficult’ and soft means ‘messy’.

 **Distinctions between the difficulties (hard) and messes (soft):**

|  |  |
| --- | --- |
| Difficulties are bounded in that they:  | Messes are unbounded in that the: |
| * tend to be small scale;
* are less serious in their implications;
* can be considered in relative isolation from their organisational context;
* have clear priorities as to what might need to be done;
* generally have quantifiable objectives and performance indicators;
* have a systems/technical orientation;
* generally involve relatively few people;
* have facts that are known and which can contribute to the solution;
* have agreement by the people involved on what constitute to the solution;
* have agreement by the people involve on what constitutes the problem;
* tend to have solutions of which the type at least is known;
* have known time scales;
* are ‘bounded’ in that they can be considered separately from the wider organisational context and have minimal interactions with the environment.
 | * tend to be larger scale;
* have serious and worrying implications for all concerned;
* are an interrelated complex of problems that cannot be separated from their context;
* have many people of different persuasions and attitudes involved in the problem;
* have subjective and at best semi-quantifiable objectives;
* have an absence of knowledge of factors and uncertainty as to what needs be known;
* have little agreement on what constitutes the problem let alone what might be possible solutions;
* have usually been around for some time and will not be solved quickly, if at all; bringing about an improvement may be all that cam be hoped for;
* have fuzzy timescales;
* are ‘unbounded’ in that they spread throughout the organisation and, sometimes, beyond.
 |

The term ‘hard complexity’ refers to the characteristic of difficulties and ‘soft complexity’ the characteristic of messes (Open University, 1985, p.18).

Complexity means many different factors and interactions but also uncertainty concerning some of them, of multitude of combinations and permutations of possible decisions and events to allow for, evaluate and select. It can be different constructions that can be applied to those factors, decisions and events. This refers to the hard complexity where it is possible to quantify and to have an optimal solution.

Soft complexity however is different from hard complexity. It is indicative of situations where the description of events is ambiguous and difficulty of interpretations and reconstructions. If there is a problem to be solved, there is much disagreement and conflict of opinions among the people. Things get so complicated.

The change spectrum

Paton and McCalman (2000) provided the ‘TROPICS’ test to help locate a change situation on a continuum from hard to soft.

This test helps to provide a clearer understanding of the type of change situation faced, in order to guide the design, planning and implementation of any change.

 The problem solving and managing subsequent change is not simply an intellectual problem. As situation moves away from being difficulties and towards a mess situation, they encompass not only issues that can be addressed through the application of intellect, but also issues which have emotional and social dimensions requiring different kinds of approaches for their solution.

The Tropics factors

 Hard Soft

Timescale clearly defined/short to medium term Timescale ill-defined/medium to long term

Resources needed for the change clearly identified Resources needed for the change uncertain

Objectives clearly stated and could be quantified Change objectives subjective and ambiguous

Perceptions of the problem and its possible solution No consensus on what constitutes the

shared by all problem/conflicts of interest

Interest in the problem is limited and defined Interest in the problem is widespread and ill-

 defined

Control is maintained by the managing group Control is shared with people outside the

 managing group

Source of the problem originates from within The source of the problem originates from

the organisation outside the organisation

Comment and Conclusions

1. Organisational change can be conceptualized in simple terms, as Grundy’s three types of change show. However, the nature of organisational change is much more complex than this.
2. There are many types of organisational change in different organisations but also at different levels of an organisation and in its various functions.
3. Change does not happen in a vacuum and often can be expected as seen in Greiner’s description of the life cycles of organisations. As a complement to Greiner’s model is the Strebel’s model of change at the industry level in looking to the wider environment for triggers for change. This model together with the Tropics Test can be used to analyse situations where change is considered desirable in order to understand which approach might be adopted in order to bring it about.
4. A table indicating the combination of environmental conditions and the types of change at the organisations.

**In-Class activities**

1. Read the case study on pp. 66-67 (2006) of the essential text: “NHS revolution breathes

 new life into private sector” and prepare appropriate responses:

 Discuss the following questions and prepare appropriate responses:

 a. To what extent do you consider this change to be ‘frame-breaking’ change? Justify.

 b. In your opinion, which sectors and elements of the environment do you consider to

 have had the most influence on the decisions detailed in the case. Justify your

 conclusions.

 c. From your knowledge and experience of the NHS and private healthcare providers,

 analyse the effects that will be felt by doctors, other medical staff and administrators

 in the NHS and other healthcare providers.

 d. What effects, if any, over the long term might these changes have for patients?

2. Post-class activities

 Discuss the following questions and prepare appropriate responses:

1. Discuss the proposition that: ‘All change can be categorised as either incremental or radical’. Use examples from your own experience to support points made.
2. In what extent are Dunphy and Stace’s four types of change helpful in working with ‘real life’ change in organisations? Illustrate your answer with examples form organisations you know well.
3. Discuss Quinn’s (1979) contention that change occurs through a process of ‘logical incrementalism’. Give examples to support your argument.
4. To what extent do organisational messes get treated as if they were difficulties? What are the organisational consequences of this? Does it matter how change situations are classified?