

Organizational Change

15.301 Managerial Psychology

John S. Carroll

“Change would be easy if it were not for all the damned people”

- Senior Executive from Xerox Corp., 1992

What Is The “New” Organization?

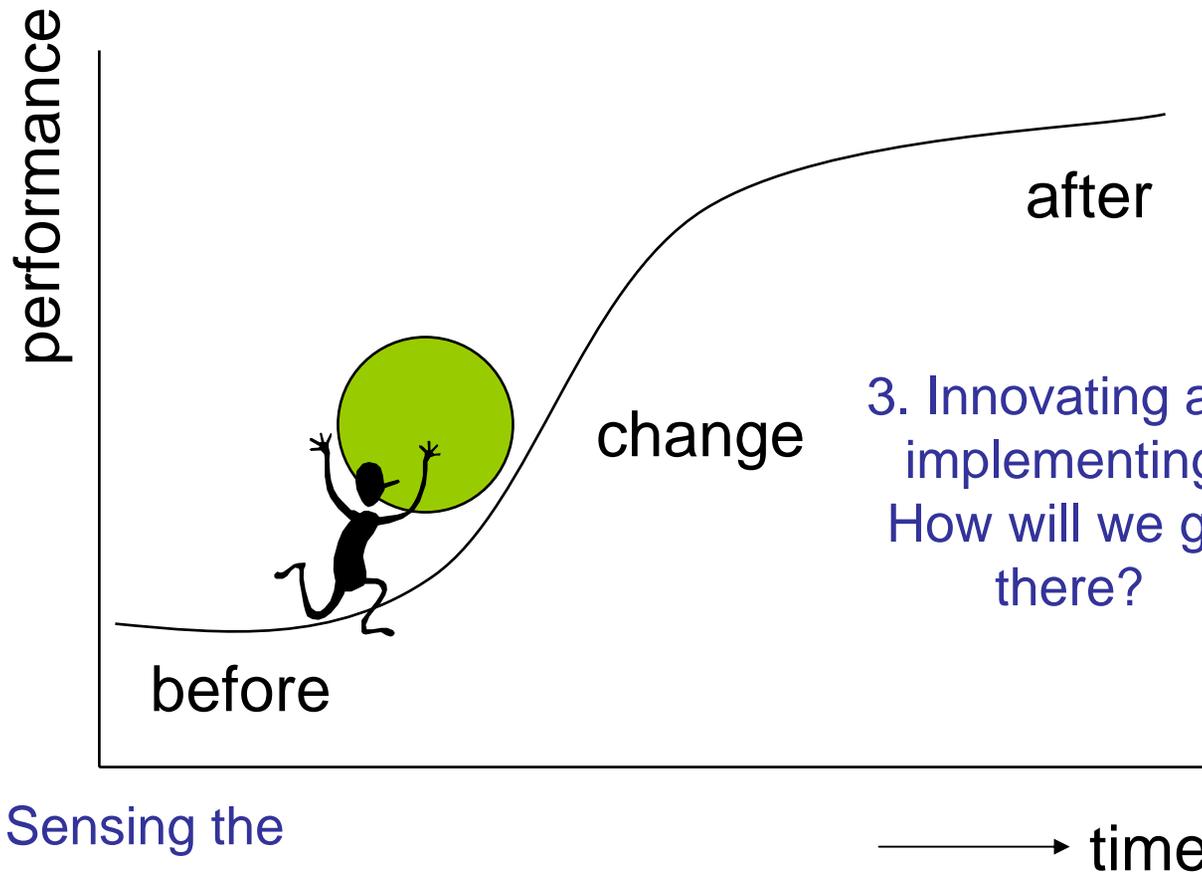
- **Flat** - fewer layers or less hierarchy
- **Flexible** - learning and adaptive
- **Networked internally** - linkages between individuals, between sub-units
- **Networked externally** - among strategic partners, value chain, stakeholders
- **Diverse** - develops and learns from differences
- **Global** - not just international

Flatter Hierarchies 1986-2003

- # managers reporting to the CEO increased from 4 in 1986 to 7 in 2003
- # division heads reporting directly to CEO increased 300%
- # levels between division heads and CEO decreased by 25%
- # firms with COOs decreased by 20%
- In flatter organizations, division managers paid more in stock & options relative to salary

[Rajan & Wulf (NBER WP 9633) study of 300 US companies averaging 50,000 employees]

Change as a Linear Process



2. Visioning the future state: Where are we going?

3. Innovating and implementing: How will we get there?

1. Sensing the current state: Where are we?

→ time

Organizational Change Model

Unfreezing  Changing  Refreezing

Disconfirmation	Identify role models	Test fit to self
Anxiety or guilt	Scan for information	Test fit to key relationships
Personal safety	Restructure, reframe	

 Resistance Habit, fear, time, vested interests, shared meanings

4. Emotions and relationships

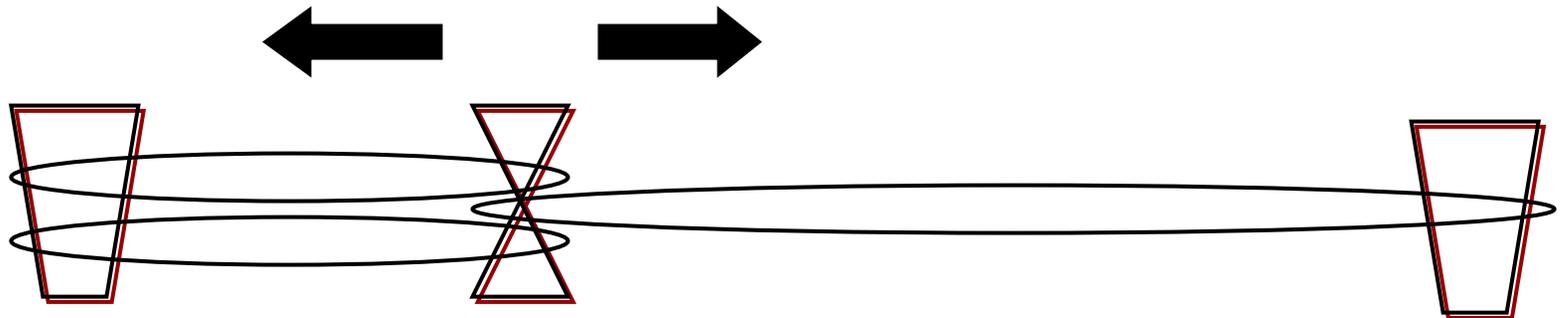
Force Field Analysis

Forces Inhibiting Change

- Habit
- Fear
- Lack of time
- Lack of resources
- Entitlements/power
- Shared assumptions

Forces Enabling Change

- Burning platform
- Role models
- Incentives
- Values/identity
- Vision/reframing
- External pressure



How to move →

What Kind of Change?

- **Technical change**
 - Problem well-defined, solutions available, authorities can be trusted, expertise can be identified
 - Although possibly complex, this is “technical work”
 - Authority maintains order (“manage change”)
- **Adaptive change**
 - Problem not well-defined, technical fixes not available
 - People must change their values, attitudes, or habits; this is “adaptive work”
 - Authority enables challenges to norms, roles and keeps the heat on without destroying the “container” of conversation or dialogue (“lead change”)

Heifetz, R. (1994) Leadership Without Easy Answers

Preparing the Soil for Change

“Leaders instigating change are often like gardeners standing over their plants, imploring them: ‘Grow! Try harder! You can do it!’ [But] if the seed does not have the potential to grow, there’s nothing anyone can do to make a difference....”

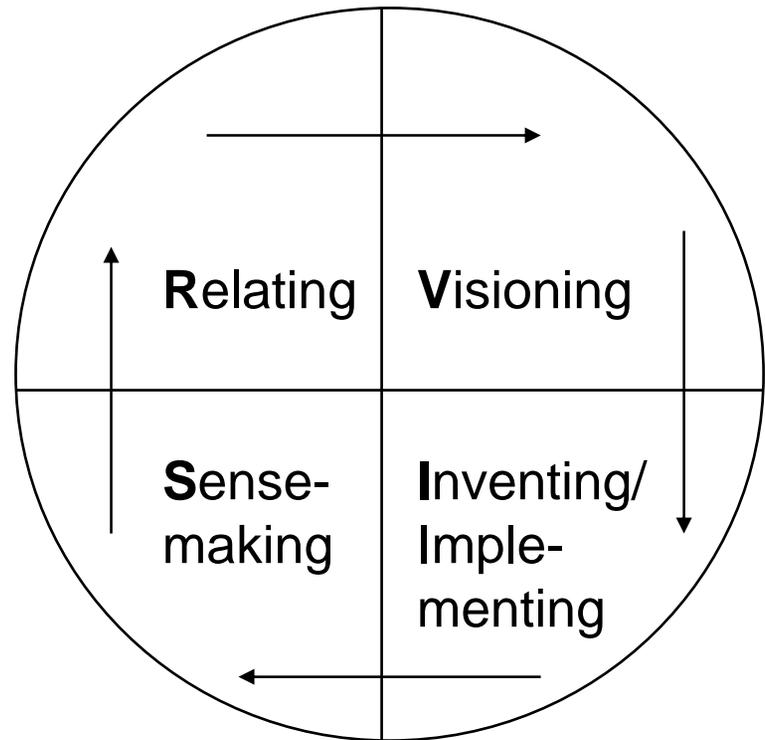
Senge et al. (1999). *The Dance of Change*, p. 8

and seeds need water, air, sunlight, food, drainage, weeding...

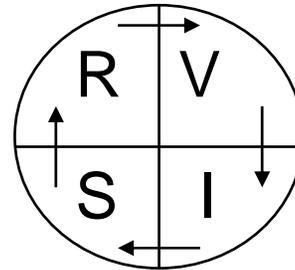
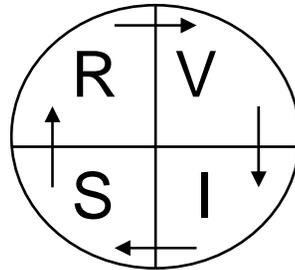
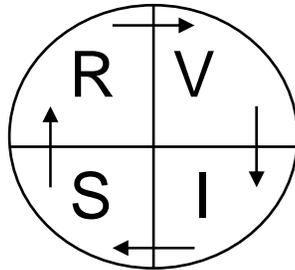
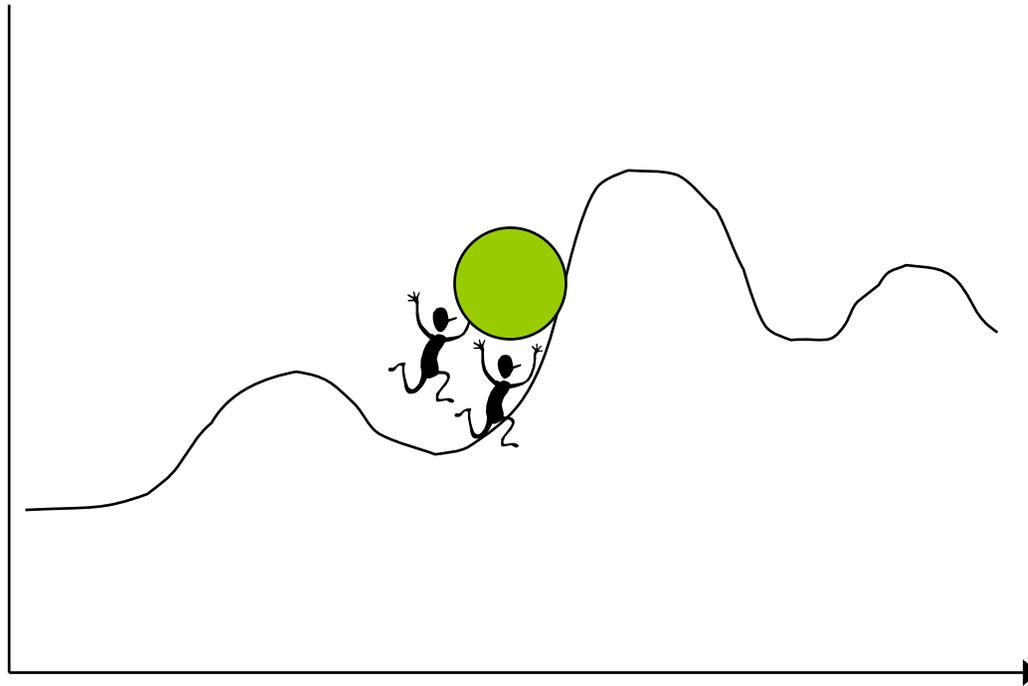
Sloan Leadership Model

Action contingent on context and leadership style

- **Sensemaking** – diagnosing, framing, understanding
- **Relating** – developing relationships
- **Visioning** – encouraging new hopes, goals, values
- **Inventing/Implementing** – building new ways of working together



Change as Nonlinear



Millstone Nuclear Power Plant

- Northeast Utilities (NU) an industry leader in 1980s; NU subsidiaries own and operate Millstone
- Change of leadership and shift to cost-cutting
- Backlogs, design issues, employee complaints, intimidation of those who raise concerns
- Time March, 1996, cover story on Millstone
- NRC issues unprecedented Order in 1996 requiring a safety conscious work environment (SCWE) and independent third-party oversight
- SCWE is worker rights to raise safety issues without harassment, intimidation, retaliation, or discrimination

Change Strategies

(Beer & Nohria, 2000)

Theory E

- Maximize \$ value
- Top-down
- Focus on structure/systems
- Programmatic, planned
- Incentives lead change
- Consultants offer expert solutions

Theory O

- Max org capabilities
- Participative
- Focus on culture
- Emergent
- Incentives support/lag change
- Consultants facilitate process

Initial Millstone Response

- New CNO
- New values, two-way communication
- Change of management team
- Strengthen Employee Concerns Program
- SCWE initiative created under VP

Millstone Force Field Analysis

Inhibiting factors



- Complacency, hubris
- Command & control style
- Lack of respect for workers
- Mistrust of management
- Lack of resources
- Competition with other utilities
- Poor relations across units, among departments
- Intervener groups generate negative publicity

Enabling factors



- Regulatory pressure
- Commitment to reopen to save jobs, money, etc.
- Willingness of industry to provide help
- Availability of models to benchmark
- New management
- Training of all managers
- Creation of forums for problem solving and learning

Leadership of Change

- Little diagnosis – accept problem frame as given by others (**sensemaking** weak, **visioning** incomplete)
- Delegation of responsibility (**relating** minimal, **inventing** little)
- Start with strategic design – clarify values and job requirements, create a program with procedures for employees to raise issues, track management response (**inventing** little)

Watershed Events

- E.g., improper termination of MOV contractors
- Energize senior management – demand for new **sensemaking**, etc.
- Create Executive Review Board (**innovating**, later **relating**)
- Train all managers (more **relating** skills)
- People Team meetings and process redesign (**relating** and **innovating**)
- Develop criteria and measurement tools (**innovating**)

Stakeholder Analysis

- Who cares or should care about this? Who can help or hinder the change? Who are the stakeholders?
 - Executives, managers, employees, plant, HQ, ...
 - Regulators, consultants, suppliers, contractors, public, ...
- Urgency
 - Does the stakeholder think there is an urgent, immediate need to change or to resist change?
- Capabilities
 - Is the stakeholder able to change? Able to support change?
 - Can the stakeholder prevent change?
 - What does the change effort need from the stakeholder?

Millstone Stakeholder Analysis

Person / Group	Lead	Support	Bystand	Oppose	Issue #1	Issue #2	Issue #3
CNO	XO						
VP Ops	X ←————— O						
Dir ECP	O →———— X						
Unit Mangrs		X ←———— O					
Workers		X ←————— O					
US NRC	O →———— X						
Public			X ←———— O				

Strategy That Wouldn't Travel

- For Monday, read the case (Beer, 1996)
- What worked in Wichita? Why?
- Use the three lenses, Sloan Leadership Model, and other course concepts to analyze what happened in Wichita
- For Wednesday, re-read the case
- What went wrong in Lubbock? Why?
- This is an opportunity to apply what you have learned!
- I will be cold-calling both days, so be prepared!

Outline of Day 1 (Wichita)

- Introduction: What is the case about?
- Who is the case protagonist?
- What is the Acme Co.?
- What is the specific goal/problem in Wichita?
- What are the underlying causes? By lens?
- What steps did Karen and her team take?
- What made this work?

Outline of Day 2 (Lubbock)

- What is the specific problem at Lubbock?
- What's going wrong with the change initiative?
- What are the reasons for this?
- Given these problems, what can Karen do now?
- Why will this work?
- What have we learned about change?