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

1. Sensing the current state: Where are we?

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

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

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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

4. Emotions and relationships

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

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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?