

A Critical Analysis of the Implementation Process and Factors of Organizational Change

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Abstract: The main purpose of this paper is to discuss the factors of organizational change and the organizational process that can be implemented based on the business environment, uncertainty, market changes and technology growth. An organization can be identified through its subsystem, design archetype and interpretive schemes, which consist of tangible and intangible elements. Leaders or managers should implement the process of unfreezing, changing and refreezing effectively to enhance organizational performance and to cope with the rapid changes in business dynamics. Moreover, leaders or managers should be aware of the internal and external factors of organizational change in order to increase an organization's ability to sustain in the market and fulfil customers' needs. Organizational change must involve stakeholders' cooperation and effective leadership to transform the organization in order to enhance its performance and competitive advantage.

Keywords: implementation process, factors of organizational change

I. Introduction

The purpose of this research paper is to discuss the implementation process and factors of organization change. An organization is defined as an amalgam of interpretive schemes, design archetypes and sub systems (Laughlin, 1991). Figure 1.0 shows that an organization contains certain tangible and intangible elements; for instance, the tangible elements are the building, people, machines and finance whereas the intangible parts are divided into two invisible parts, namely design archetype and interpretive schemes. Both parts are created and sustained by the previous and current organizational participants.

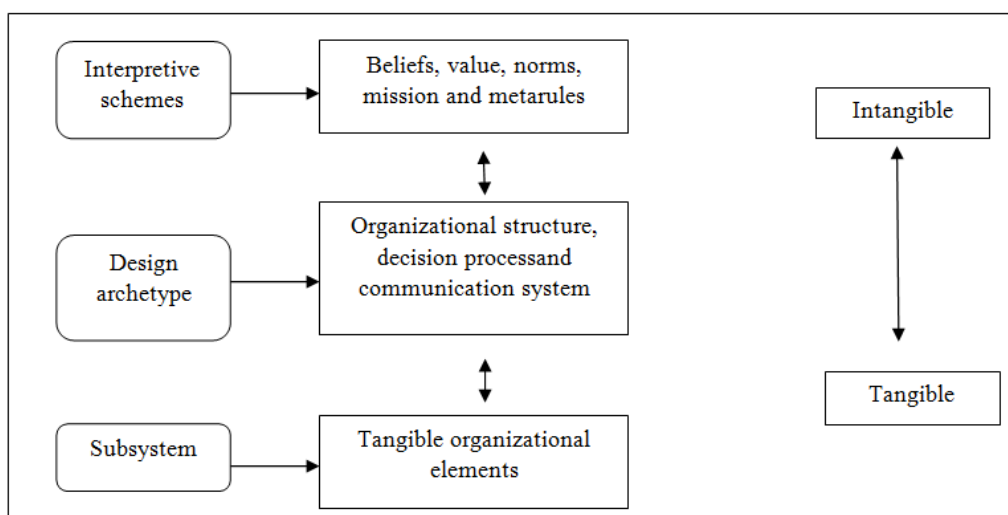


Figure 1.0 Model of Organizations

Source: Laughlin (1991)

Design archetype is defined as the composition of structures and management systems with an underlying set of values and beliefs. Such organizational structure and management processes have a certain pattern and coherence both internally and in relation to the underlying set of values and beliefs. They are the intervening variables between the higher level values and the tangible subsystems and are intended to guide the design of the latter to express the perspective of the former.

On the other hand, interpretive schemes operate as the cognitive schemata that map people's experiences of the world, identifying both its relevant aspects and how they are to understand them. Interpretive schemes are shared fundamental assumptions about why events happen as they do and how people are to act in

different situations (Laughlin, 1991). They can be subdivided into different levels of abstraction and centrality which include beliefs, values, norms and mission.

II. II. Secondary Findings

2.1 Definition of Organization Change

Change is the movement away from a present state toward a future state or generally a response to some significant threat or opportunity arising outside the organization (Gilgeous, 1997). Organizational change has become part of most organizations' efforts to adapt and thrive in today's business environment (Mellert, Scherbaum, Oliveira & Wilke, 2015). This statement is consistent with Dawson's (1994) who stated that a change in organization refers to any alteration in activities or tasks.

Organizational change, change management and organization development have been used interchangeably (Bhatnagar, Budhwar, Srivastava & Saini, 2010). Additionally, corporate transformation and organizational transformation (Apte, 1998) have also been used as synonyms for change management.

According to Jacobs, Witteloostuijn and Zeuse (2013) organizational change is a risky strategy, as it is often related to the violation of an organization's core cultural values and, potentially, the organization's identity. Planned organizational changes are designed to enhance organizational performance by improving adaptation to the environment and preparing for future changes. These changes can take a variety of forms, including changes to the organizational structure, process, social environment and people (Mellert *et al.*, 2015).

Planned organizational change also means intentionally increasing employee stress levels, knowingly disturbing the on going operations and consciously gambling with the organization's future as the outcome is often different from the original plan (Jansson, 2013).

In addition, organizational change is a communicative action (Jansson, 2013) that can be approached through the lenses of universality or particularity. Universality is defined as the commonly applicable, while particularity is defined as the locally applicable. Organizational change is a complex, dialectical process; the motor of change develops and is developed by the process itself; the old and new intertwine, cumulatively building an innovative dynamic (Castel & Friedberg, 2010).

For example, organizational change in the Malaysian context is related to the dynamics of the business environment that is changing rapidly as the Malaysian economy had experienced slow economic growth in the last five years (since 1997 financial crisis), with short-term buoyant growth in 2000. These changes have compelled organizations to consider restructuring and reengineering their organizations in light of the impending merger and acquisition moves made in the last few years (MdZabid Abdul Rashid, MuraliSambasivan & Azmawani Abdul Rahman, 2004). When Telekom Malaysia Berhad (a public listed company in the Kuala Lumpur Stock Exchange) acquired Technology Resources Industries Berhad (TRI), changes in the organizational structure, systems and process of TRI were inevitable.

2.2 Organizational change implementation process

Organization change goes through three processes, which are the unfreezing phase, changing phase and refreezing phase, as shown in Figure 2.0 (Lussier & Achua, 2013). The unfreezing phase is often instigated by the actions of a charismatic leader in the organization who is aware of the need for change. This type of leader inspires people with a vision of a better future that is sufficiently attractive to convince them that the old ways of doing business are no longer adequate. This recognition may occur as a result of an immediate crisis and the competitive environment. The key is to identify problems or threats faced by the organization that call for urgent change. It is important to invest time at this early stage to uncover not just the threat, but also its root cause; the other phases will focus on the specific threats.

The second phase is the changing phase which is also known as cognitive restricting; it is where the actual change takes place. The key at this stage is developing new attitudes, beliefs, values and behaviours based on new information. The first change implementation tactic for the leader is to form a powerful guiding coalition that supports change. One way to do this is by forming a cross-functional team with the necessary expertise and power to guide the change process. The second change implementation tactic for the leader is to develop and articulate a compelling vision that will guide the change effort and selected strategies. The third change implementation tactic is to actively communicate the new vision and plan of action. The leader's excellent communication skills and ability to mobilize widespread participation is critical for success. The fourth tactic is empowering employees throughout the organization to act on the change. The leader must empower people by providing resources and information to make decisions. The fifth and sixth tactics require the leader to organize the change activities in ways that highlight and celebrate short-term accomplishments.

The last phase is the refreezing phase; the change becomes routine and accepted into everyday practices of an organization; the change process must follow through the final stage of refreezing the new change. A variety of strategies need to be adopted to achieve this, including new rules, attitudes, traditions,

regulations and a reward scheme to reinforce the new changes. This will prevent a reversion to the old ways after implementation.

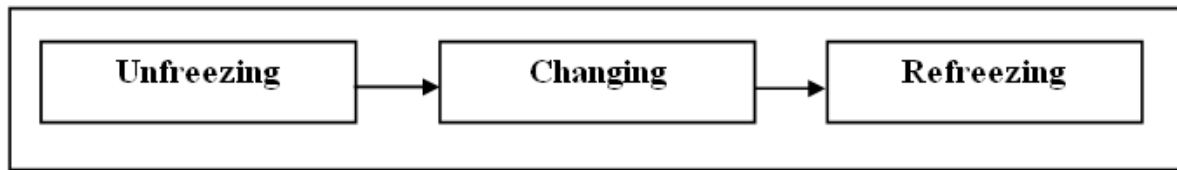


Figure 2.0 Change Implementation Process

Source: Lussier and Achua (2013)

III. III. Implications

3.1 Reasons for organization change

Today's business environment is characterized by uncertainty, market changes, changing workforce demographics, social and political pressures and technological advances (Savery & Luks, 2000). Rapid changes in technology, such as computerization and e-commerce have created a quantum leap in data communication, work processes and the way of doing business.

With impending globalization and liberalization of markets, organizations have to be prepared to cope with the rapid changes in business dynamics. Every organization must submit to the varying demands and changes in the environment. Changes within an organization will occur in response to economic events as well as managerial perceptions, choice and actions (Pettigrew, 1985).

A company tends to go out of business if it does not improve its competitive edge and productivity as the market is getting tougher, while technology is changing the ground rules. Organizational change occurs mainly because of rapidly shifting market environments that strive to attain and sustain a competitive advantage (Winter, 2003).

According to Savery and Luks (2000), there are 12 reasons for organizational change. One of the most significant reasons is the need to improve productivity of employees; change makes the organization more efficient in producing a product or service which customers are willing to buy (Savery & Luks, 2000). Further, labour productivity is very strongly related to the introduction of major changes in an organization. The second reason for organizational change is to ensure that the organization becomes more competitive, to reduce cost and to enhance customer service.

Organizations in the global marketplace continue to experience tremendous change. The disadvantages include lost productivity, lower levels of job satisfaction and low morale (Savery & Luks, 2000). Significant change can make people and organizations become dysfunctional, especially when an organization decides to employ more technology than people.

3.2 Factors of organizational change

There is one change which occurs regularly in many organizations; it is known as downsizing, rightsizing or reengineering. Many organizations have reduced staff in order to improve efficiency to compete in the marketplace (Savery & Luks, 2000).

Besides downsizing, another factor that leads to organizational change is technology. Technology is changing the ground rules by increasing the capacity to generate more information than people can absorb, by creating more interdependence than anyone can manage and by accelerating change faster than anyone's ability to keep pace (Savery & Luks, 2000). Since the introduction of assembly lines, it has been widely acknowledged that technology functions as an agent of change in many respects; it must be handled as a key contingency factor (Jacobs *et al.*, 2013).

On the other hand, technology can facilitate knowledge sharing, trigger new practices of work and influence methods of internal and external organizational communication. Savery and Luks (2000) mentioned that an organization's ability to sustain quality improvement is derived from its ability to change.

Furthermore, the future environment often forces organizations to adapt as well as to examine its current internal weaknesses. Hence, organizational changes are related to the external opportunities and threats in the broader environment. Moreover, internal strengths and weaknesses of the organization can also trigger organizational change. Therefore, organizational change is an evaluation of external opportunities (O) and threats (T) in combination with internal strengths (S) and weaknesses (W), which form the SWOT analysis (Jacobs *et al.*, 2013). Changing customer preferences and the operational environment often lead firms to continuously renew their products or services in response to environmental changes and to better meet customers' changing preferences (Jiao, Alon, Koo & Cui, 2013).

Besides SWOT, the PESTL approach has been suggested as a framework to monitor external opportunities and threats. This framework combines the analysis of political (P), economic (E), societal (S), technological (T) and legislative (L) issues. Each element of the PESTL framework is associated with subsets of theories that may guide the environmental scan (Jacobs *et al.*, 2013). A study conducted by Bhatnagar *et al.*, (2010) highlighted that the role of economy, position of the state, ways of doing business and national culture tend to have an impact on the effectiveness of organizational change.

Moreover, knowledge sharing tends to trigger organizational change (Jacobs *et al.*, 2013). Organizational life is increasingly information-rich and knowledge-intensive. The key to organizational success is knowledge sharing between organizations; it is the exchange of potentially valuable information, involving both seeking and providing knowledge. Knowledge sharing generates competitive capabilities and contributes to sustained performance. It is not a singular and isolated process, but an ongoing interplay within and between organizations through people and technology.

Factors of organizational change can be internal or external. An internal factor of organizational change is knowledge sharing, including the organization's strengths and weaknesses. External factors include rapid technological changes as well as the global economy, changing market environment and competition.

IV. Discussion

4.1 How organizations change

Organizational change does not emerge and evolve in isolation. Stakeholders inside and outside of the organization tend to be heavily involved before, during and after the change process (Jacobs *et al.*, 2013). Organizational change requires effective leadership at the top and sensitization of top-level executives (Bhatnagar *et al.*, 2010). To ensure that such knowledge exchange is successful, skilful leaders must integrate people, processes, structures and resources. The key to organizational change is leadership. It is extremely hard, if not impossible, for organizational change to be successful, without the willing and proactive engagement of the organization's employees (Jacobs *et al.*, 2013).

Indeed, institutionalizing and internalizing change efforts are essential when attempting to bring about change. Institutionalizing means making changes a permanent part of an organization, while internalizing means stabilizing the changes (Pareek, 1987).

According to Savery & Luks (2000), successful organizational change cannot be undertaken in an ad hoc manner, but must be systematically implemented and managed. The critical nature and reasons for change must be clearly, consistently and regularly communicated to employees in the organization; this is an area in which many organizations face tremendous challenge.

Furthermore, organizational success is often determined by customer satisfaction, improved output and innovation; a plan for organizational change must be based on realistic expectations of the organization's ability to change and the reward mechanism must directly support the attainment of change objectives.

An organization planning to increase productivity must transform the overall business objective into individual goals to assist employees to achieve the objective through organizational changes, training and continuous measurement (Savery & Luks, 2000). When organizational change is recognized, managers need to help staff change by developing measures that evaluate progress toward new goals and by encouraging individual staff to work toward these new goals which will have the flow-on effect of internalizing the new organization.

Finally, organizational change is usually accompanied by changes in technology. Changes in tasks and technology require alterations in the structure of the organization, including patterns of authority and communication as well as the roles of members (Savery & Luks, 2000). It is important to draw attention to the roles of members in organizational change (Jacobs *et al.*, 2013); when considering change in an organization, managers should improve work attitudes by providing more opportunities for employee participation.

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