

# Organizational Change and Innovation

## CHAPTER 10

### Chapter Outline

- Introduction
- The Nature of Organizational Change
- Models of Planned Change
- Comprehensive Model of Planned Change
- Organizational Development



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#### After reading this chapter, you will be able to:

- Define organizational change and explain the dimensions and types of change.
- Interpret three models of change, particularly the steps involved in the comprehensive model of change.
- Determine the major causes of resistance to change and recommend how managers can deal with change resistance.
- Explain organization development (OD) and summarize the major OD interventions.
- Assess an organization's change program.

## Microsoft Cracks the Code on Organizational Change

Microsoft, an American multinational technology company based in Redmond, Washington, is the largest computer software company in the world. Technology changes quickly, so technology companies must adapt even at the organizational level. When Satya Nadella became the chief executive officer (CEO) of Microsoft, he recognized the need for organizational change.

At the center of Nadella's plan was a vision of cultural change. He likened organizational culture to a machine that runs out of gas. At some point, he says, organizations must develop new capabilities and pursue new concepts to keep the machine running. Next, Nadella focused on structuring the organization around functional capabilities (e.g., artificial intelligence and cloud computing) rather than traditional business units. According to Nadella, companies in the business of technology can struggle to coordinate across divisions, which can affect efficiency.

The plan also considered external forces. Before Nadella's tenure, one competitor said that dealing with Microsoft felt like warfare. Nadella decided it was time to start working with competitors rather than fighting against them. For instance, by setting aside its previous cutthroat mentality, Microsoft engineers could contribute to Apple and Google's mobile operating systems. Over time, Microsoft has embraced collaboration over competition.

At the employee level, Nadella improved performance management by establishing performance metrics (i.e., current-year performance) and power metrics (i.e., future-year performance). Compensation is based on these two metrics. Nadella used this tool to change



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the company's culture by focusing on customer-centric metrics, such as monthly active users, consumption, and growth of consumption, in addition to revenue and profit by segment.

Microsoft's product strategy was also ripe for change. Shortly after Nadella was appointed as CEO, Microsoft introduced Azure, a cloud service. Microsoft had cloud tools in the past, but Nadella made cloud software a strategic priority. Microsoft also allowed the Linux operating system onto its servers to support the company's goal of increasing activity on its cloud servers. Sales representatives are incentivized to increase server activity with a commission. These changes have altered the organizational culture from the inside out.

Nadella disrupted the company's culture and moved it toward a more collaborative and innovative mindset. He changed the way Microsoft is viewed by competitors and its own employees. Microsoft is positioned to be more innovative, collaborative, and customer-focused than ever before.<sup>1</sup>

## Introduction

As seen with Microsoft, change is influenced by a number of forces, both inside and outside of companies, and a company's ability to deal with and shape these forces determines its ultimate success. Jean B. Keffeler, an organizational change consultant, says that American companies can be either agents or victims of these changes: "We will either choose change or chase it."<sup>2</sup> Choosing change will not guarantee success, but ignoring it will almost surely guarantee failure.

This chapter deals with the process of organizational change. We will briefly discuss some of the major forces influencing organizational change and delve into the steps and techniques managers may use to deal with the process of planned change. We will conclude with a brief overview of some of the people-oriented approaches to planned change that have collectively been labeled organizational development.

**organizational change:** Any modification in the behaviors or ideas of an organization or its units.

## The Nature of Organizational Change

There is one certainty in organizations: they must undergo change to survive. **Organizational change** can be defined as any modification in the behaviors or ideas of an organi-

zation or its units. A successful company such as Apple did not become one of the most valuable global brands by trying to maintain the status quo. Rather, it constantly monitors the environment to understand changes so it can adapt.

One important aspect of organizational change is that such modifications do not just happen: Something causes them to occur. To understand change and how best to manage it, we must be aware of some of the major forces causing change.

## Forces Causing Organizational Change

Earlier in the text, we explored the various internal and external environmental forces that may affect an organization. You will remember that external forces include technological, economic, sociocultural, political-legal, and international influences, as well as customers, suppliers, competitors, substitutes, and potential new entrants to the industry. The internal forces include the owners, managers, employees, and board of directors. How managers respond to these forces may determine the success or failure of their entire business enterprise. A few examples of the pervasive impact of these forces will demonstrate the importance of responding to change.

### External Forces

Examples of the influence of technology on business organizations abound. For instance, the U.S. Postal Service has lost literally billions of dollars in recent fiscal years. Interestingly, it was not all that many years ago when the Postal Service broke even each year or even made a small profit. However, as Americans increasingly turn to electronic forms of communication, first-class mail volume in particular continues to decrease by billions of pieces of mail per year. Indeed, it has only been the growth of online shopping and some delivery deals the Postal Service has made with Amazon and others that have helped lessen the flow of red ink.<sup>3</sup> The COVID-19 global pandemic and Russia's 2022 invasion of Ukraine are further examples of external forces that have caused significant organizational change throughout the world. In some situations, businesses have been forced to close entire operating units while simultaneously adding resources to other units.

### Internal Forces

The major internal forces for change are owners, high-level management, and employees, primarily through internal feedback mechanisms. These forces, although powerful in their own right, often respond to what is happening in the external environment. Often the combination of external forces, in concert with internal forces, generates a tremendous impetus for change.

Sometimes a high-level manager notices something in the internal operation of the business or in the external environment and exerts tremendous forces for change. Management professor Noel Tichy says, "All corporate revolutions are started from the top. It's crucial to form from the beginning a small, tight group of people 100 percent dedicated to implementing the plan."<sup>4</sup> Fitness equipment and media company Peloton faced major challenges with declining sales and negative media attention. The company ramped up production to meet a temporary increase in demand for home exercise equipment due to the COVID-19 pandemic but was not prepared for the post-lockdown slump that followed. The company's co-founder stepped down as CEO due, in part, to pressure from investors. The new CEO, Barry McCarthy, introduced a turnaround plan that included strengthening the company's supply chain, testing new pricing strategies, increasing awareness of the Peloton mobile app, and expanding internationally.<sup>5</sup>

Sometimes the collective actions of workers, such as in a strike, can start the machinery for change rolling. Workers at Kellogg's cereal production facilities went on strike for nearly three months



Source: Matt Gush/Shutterstock

The U.S. Postal Service struggles to find a business model to address massive losses as more and more customers shop and pay bills online.



Source: Luigi Morris/Shutterstock

Strikes can be a way for labor to let management know that they are unhappy with current working conditions or plans for hiring and layoffs.

while fighting for a better contract through the Bakery, Confectionery, Tobacco Workers, and Grain Millers International Union. During the strike, Kellogg’s threatened to replace the striking workers, causing many people to boycott the company’s products. The strikers stood their ground until a new agreement was reached. The agreement included across-the-board wage increases and improved benefits for all employees.<sup>6</sup>

Sometimes internal feedback mechanisms, as monitored by different organizational members, can signal that the organization needs to change in response to one or more environmental forces. Attitude surveys, performance data, employee performance evaluations, and grievances may indicate that there is a gap in performance, requiring that behaviors or activities need to be changed to close it. A **performance gap** is the difference between an organization’s desired and actual performance levels. One of the best approaches to change is to set demanding standards of performance for all operations, measure performance against those standards, and hold managers accountable to them. PepsiCo, for example, has traditionally set a 20 percent profit standard for the company, with managers being held accountable for this standard. Although this may seem obvious, organizations often have both poor measures of actual performance and a weak understanding of what demanding standards should be or look like.

**performance gap:** The difference between an organization’s desired and actual performance levels.

## Dimensions of Organizational Change

Organizations change in a number of different ways, along several different dimensions that often relate to one another. When examining any organization that is experiencing a performance gap, these dimensions—extent of planning, degree of change, degree of learning, target of change, and amount of organization being emphasized—can help provide useful guidelines along which to diagnose causes and structure a change program.

### Degree of Planning

Organizational change varies along a continuum with regard to the extent to which it is planned. At one end is **reactive change**, which occurs when organizational members react spontaneously to external and internal forces but do little to modify these forces or their behaviors. At the other end, **planned change** involves the deliberate structuring of operations and behaviors, often in anticipation of environmental forces. Most organizations fall somewhere in the middle. Businesses are too complex to have totally planned change, but at least some planning for change occurs in all organizations, or the ensuing chaos would quickly destroy them.

**reactive change:** A situation in which organizational members react spontaneously to external and internal forces but do little to modify these forces or their behaviors.

**planned change:** The deliberate structuring of operations and behaviors, often in anticipation of environmental forces.

**TABLE 10.1** Dimensions of Organizational Change for JetBlue Social Media Decision

Dimensions	Examples
Degree of Planning	Decisions regarding company use of social media
Degree of Planned Change	How extensively to use social media
Degree of Organizational Members' Involvement in Learning How to Change	How many employees are directly/indirectly involved
Target of Change	Customers/passengers
Amount of Organization Being Emphasized	Controls related to employee use of social media on-duty/off-duty, etc.

Experts differ about how much change can be planned, and examples can be found at many points on the continuum. For example, for many years, JetBlue Airways tried to use social media more effectively to respond to customer complaints. It started a dedicated corporate social media support team to respond to passenger complaints via Twitter and Facebook. The airline also regularly posts relevant information on its blog. JetBlue is committed to being on the cutting edge of using new social media to help and respond to its passengers.<sup>7</sup> Table 10.1 describes the dimensions of organizational change involved in JetBlue's decision.

Some research suggests that many managers are fooling themselves with their belief that they can truly plan major organization transformations. However, it is still important that managers take steps to set up conditions that permit and even encourage necessary change to occur.<sup>8</sup> Managers can take specific steps to facilitate change, and these steps can be learned; however, there are no guarantees that any specific action will always result in successful change. In any event, planned change increases the odds of success for a manager and is, thus, the focus of this chapter.

### Degree of Planned Change

Planned change also differs along another continuum, that of the degree of change. Changes may range from incremental to quantum.<sup>9</sup> **Incremental change**, relatively small change, involves fine-tuning processes and behaviors within just one or a few systems or levels of the organization. It occurs within the context of the organization's current structure, strategy, and culture. For example, Procter & Gamble announced that it was grouping its Global Business Units into four industry sectors to become more efficient and productive.<sup>10</sup> Because no major organizational restructuring occurred, this resulted in only incremental change. **Quantum change**, or large-scale planned change, involves significantly altering how the firm operates, usually by altering multiple organization levels and several of the dimensions of structure, culture, reward systems, strategy, and work design.<sup>11</sup>

**incremental change:** A relatively small change in processes and behaviors within just one or a few systems or levels of the organization.

**quantum change:** A large-scale planned change in how the firm operates.

### Degree of Organizational Members' Involvement in Learning How to Change

A third dimension deals with the degree to which organizational members are actively involved in learning how to plan and implement change while engaging in solving an existing problem. Author Peter Senge describes the "learning organization," discussed earlier in chapter 2, as being engaged in continuous experimentation and feedback in an ongoing examination of the way it goes about addressing and solving problems.<sup>12</sup> In contrast, some organizations focus on solving immediate problems without examining the appropriateness of current learning behaviors.



Change in the organization can often require additional training for employees.

### **Target of Change**

Organizational change programs—systematic, planned change efforts—can also vary with respect to the hierarchical level or functional area at which the change is targeted. Some changes are designed to influence high-level managers or the relationship between manager and employee. For instance, Adobe eliminated its annual performance review and instead chose more easygoing “check-in” conversations and feedback. In other words, the firm encourages managers and employees to provide ongoing feedback to one another. This change was implemented to improve relationships between managers and employees as well as help employees gain a better understanding of their strengths and weaknesses.<sup>13</sup>

Other change programs might involve basic skills learning, such as customer service techniques, for lower-level employees only. Others could involve restructuring a marketing or R&D division without any planned change in other areas. Changes planned for one level or area, though, often have an impact on other parts of the organization, as we will discuss shortly.

### **Amount of Organization Being Emphasized**

Finally, organizational change can differ with regard to the extent of “organization” being emphasized or how regulated and structured its activities may be. Some organizations are overly organized and bureaucratized and need “loosening up,” while others suffer from poor coordination and may be underorganized. Fairly young and rapidly growing organizations often suffer from underorganization and may need to emphasize structure, rules, and stronger norms to lend stability to the chaos. Many organizations, for example, are struggling with to what extent employee off-duty use of social media should be controlled, particularly with respect to any off-duty references the employee may make with respect to the organization.

### **Types of Organizational Change**

There are also several major types of planned change that vary according to the area of emphasis for the change: changes in strategy, organizational structure or design, technology, and human processes and culture. Note that these categories are not mutually exclusive.

#### **Changing Strategy**

Changing a company’s strategy involves changing its fundamental approach to doing business—the markets it will target, the kinds of products it will sell, how they will be sold, its overall strategic orientation (cost, differentiation, etc.), the level of global activity, and its various partnerships and other joint-business arrangements. Changing strategy

## MANAGEMENT INSIGHTS

### Salesforce Is a Force to Be Reckoned With

Salesforce, a cloud-based software company that sells customer relationship management applications, is widely considered to be an innovator. The company has helped more than 150,000 companies improve customer loyalty, sales revenue, and productivity with its applications, including Humana, IBM, Mercedes-Benz, and NBCUniversal. Salesforce was founded in 1999 by Marc Russell Benioff, Parker Harris, David Moellenhoff, and Frank Dominguez and is based in San Francisco, California.

Salesforce, a leader in cloud-based services, expanded its dominance amid the COVID-19 pandemic. For example, to expand its portfolio of services, Salesforce acquired Slack Technologies Inc., a messaging program that connects people and teams. The pandemic pushed many businesses to rely more on cloud technology than ever before. Considering the ongoing remote work trend, this will likely continue to some degree. Other external forces affecting global businesses include record-high inflation, supply chain disruptions, and international politics.

The global pandemic pushed Salesforce to operate more efficiently. With less corporate travel and fewer in-person events (e.g., the company's annual Dreamforce conference), Salesforce saved on sales and marketing expenses. Salesforce's leaders say they expect many pandemic-era changes to stick. With the company now having more remote and hybrid employees, Salesforce leaders anticipate that a lack of in-person collaboration could negatively affect the company's culture. For example, an internal survey revealed that the inability of teams to meet in person was a top barrier to success. For this reason, the company established an employee wellness center for its 70,000 employees to onboard new hires and hold off-site team meetings, social bonding events, and leadership training.



Source: Jonathan Weiss/Shutterstock

Salesforce also adopted a dual-CEO model. Bret Taylor, formerly the company's chief operations officer, was elevated to co-CEO alongside Marc Benioff. Having two CEOs allows Salesforce to adopt a divide-and-conquer strategy for decision making. This frees up Benioff's time. For instance, Taylor often handles keynote speeches, TV appearances, and company all-hands presentations and has more executives who report to him than Benioff. He leads a weekly executive meeting and occasionally calls corporate leaders when closing a deal. Taylor led the acquisition of Slack, in addition to the acquisitions of Tableau and MuleSoft. This is the second time the company has attempted a two-CEO leadership structure.

In recent years, Salesforce has shifted its focus from rapid growth to profitability. This focus may resonate with investors more than a growth-at-any-cost approach characterized by major acquisitions. Only time will tell if Salesforce can continue to innovate and keep up the pace when it comes to growth without relying on major acquisitions.<sup>14</sup>

involves an attempt to align a company's resources with the various environmental forces recently discussed. Many examples abound in which companies have made major strategic changes. For example, the old Washington Post Company no longer publishes the *Washington Post* and has adopted a completely new corporate strategy, including changing its name, which is now Graham Holdings Corporation.

### Changing Structure and Design

When a company alters its structure, it may change its departmentalization, hierarchical reporting relationships, line-staff relationships, and overall design. One frequent reason for restructuring in today's environment is to meet customer needs more effectively. Sallie Mae, the largest student loan provider in the United States, broke up into two businesses. One business services government-backed student loans, whereas the more profitable business focuses on private student loans. Splitting up into two businesses helps Sallie Mae focus on two distinct target markets.<sup>15</sup> The quality revolution in America, increased

competition, and cost consciousness will likely result in continued downsizing and streamlining of larger businesses, resulting in even more structural changes.<sup>16</sup>

### **Changing Technology**

Many companies are introducing technological changes in their manufacturing or service operations to keep pace with massive environmental changes and competitive challenges. Computers, for example, have radically changed the very nature of business, even in very small operations, by speeding up routine activities and providing fast access to huge amounts of information. Robotics is another area that is helping many large manufacturers improve efficiency. Companies in Asia, in particular, are increasingly turning to robots to play a major role in the manufacturing process.<sup>17</sup> The COVID-19 pandemic led to a massive increase in business meetings being held online via Zoom and other technologies.

Sometimes new technology is the focus of the business—the product itself—and not just a way to improve making a good or speed up a service. The Xerox Corporation, for example, restructured its business model to move far beyond making copier machines. Its former CEO was quick to note that the highway toll booth E-Z Pass process was developed by Xerox.<sup>18</sup>

### **Changing People Processes and Culture**

Changing people processes involves changing the processes of communicating, motivating, leading, and interacting in groups. It may entail changing how problems are solved, how people learn new processes and skills, and even the very nature of how they perceive themselves, the organization, and their jobs. Major organizational change may involve altering the organization's entire culture.

Some people changes may involve only incremental changes or small improvements in a process. For example, many organizations undergo leadership training, which might teach managers how to communicate more openly with employees, use praise and other rewards to motivate performance, resolve interpersonal conflicts and deal with disruptive employees, and encourage more employee participation. Other programs might concentrate on team processes by teaching both managers and employees how to work together effectively to solve problems. Still, other programs might strive to enhance union-management relations or to learn how to deal with an organization's existing power structure, which makes up what is often called the informal organization. We will take a closer look at some of these approaches later in this chapter.

Major organizational change could entail dealing with all the people processes as well as changes in such human resource systems as rewards and compensation, training and development, selection, and performance appraisal. For major change to succeed, fundamental alterations must occur in three areas: (1) coordination or teamwork, including coordination between departments and between labor and management; (2) commitment to a high level of effort, cooperation, and planned actions; and (3) competencies, meaning improved conceptual, analytical, and interpersonal skills in both labor and management. Most planned change programs target only one, or at best, two of these areas, while all three are essential for major change to occur.<sup>19</sup>

There are numerous examples of major change programs that have focused on changing the way people function. The U.S. Secret Service, which protects the president of the United States and other top officials, has, for example, traditionally had a somewhat laid-back approach to employee conduct while they are overseas. Several scandals changed the agency's culture. New rules barred agents from bringing foreign nationals back to their hotel rooms or drinking alcohol within 10 hours of their shift.<sup>20</sup>

## **Models of Planned Change**

Managers who want to plan organizational change may find it helpful to have a model of how the change process works. In this section, we will briefly review two basic models of change, discuss some implications of each, and then delve more deeply into a com-

**TABLE 10.2** Models of Planned Change

Model	Description
Lewin's Model of Change	Unfreezing, moving, refreezing
Congruence Model of Change	Interaction of inputs/processes causing change
Comprehensive Model of Planned Change	Step-by-step plan for change

prehensive model that could encompass most change programs. Table 10.2 describes the models of planned change.

### Lewin's Model of Change

One of the earliest and most fundamental models of change was provided by behavioral scientist Kurt Lewin. Lewin viewed the change process as a modification of the forces that keep a system's behaviors stable. He depicted the level of any behavior or attitude existing at a given time as a function of "driving forces," which are pushing for change in behavior, and "restraining forces," those striving to maintain the status quo. When these forces are about equal, Lewin said a state of quasi-stationary equilibrium exists. He devised a technique called "force field analysis" that depicts the driving and restraining forces—the real conditions of people, organization, or environment—in a situation that keeps it stable.

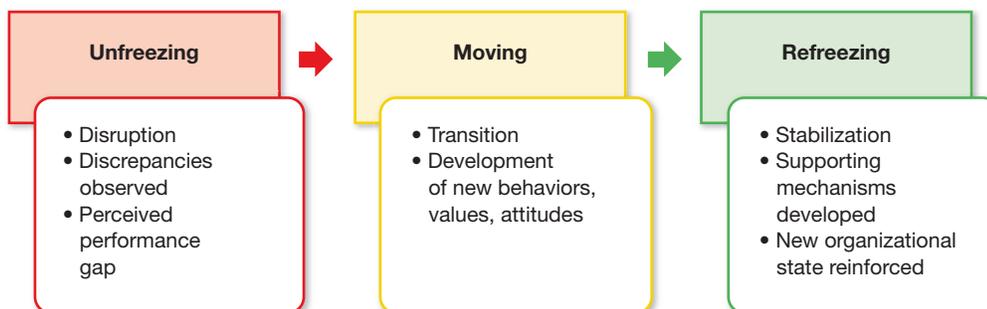
Lewin's model of major change grew out of this force field concept. He describes change as consisting of the following three phases (see Figure 10.1):

1. **Unfreezing** involves disrupting the forces maintaining the existing state (state A) or level of behavior. This might be done by introducing new information to show discrepancies between state A and one desired by the organization—that is, a performance gap. One example of unfreezing occurred as a result of the COVID-19 pandemic, when many people began working remotely. Over time, many companies called on employees to return physically to the office or other places of work.
2. **Moving** entails a transition period (state B) during which the behaviors of the organization or department are shifted to a new level (desired state C). It involves developing new behaviors, values, and attitudes. Continuing the pandemic example, some companies required employees to return to the office full-time, whereas others allowed employees to transition with a hybrid work arrangement, blending in-office and remote work.
3. **Refreezing** stabilizes the organization at a new state of behavioral equilibrium (state C). This is accomplished through the use of supporting mechanisms that reinforce the new organizational state, such as culture, norms, policies, and structures.<sup>21</sup> One example is Elon Musk telling employees at Tesla that the post-COVID transition period had come to an end and that all employees needed to work physically at their worksite or lose their jobs. Musk was "refreezing" the company's pre-pandemic non-remote work policies.<sup>22</sup>

**unfreezing:** Involves disrupting the forces maintaining the existing state or level of behavior.

**moving:** A transition period during which the behaviors of the organization or department are shifted to a new level.

**refreezing:** Stabilizes the organization at a new state of behavioral equilibrium.



**FIGURE 10.1** Lewin's Model for Implementing Change

Thus, Lewin viewed change as the adjustment of driving and restraining forces in order to facilitate movement to a new equilibrium state which is then reinforced and stabilized. This model, therefore, suggests that managers should find ways to unfreeze the existing equilibrium before any change will occur.

## Congruence Model of Change

**congruence model of change:** An outgrowth of the systems approach to organizational theory that emphasizes the interrelationships between the various parts of an organization and how a change in one part will cause reactive changes in other parts.

The **congruence model of change**, an outgrowth of the systems approach to organizational theory, emphasizes the interrelationships between the various parts of an organization and how change in one part will cause reactive changes in other parts. In the congruence model, inputs may include raw materials, environmental factors, history, customer feedback, and the organization's strategy. Processes consist of technology, human resource activities, culture, structure, and measurement systems. Outputs are all those things that reflect the firm's effectiveness: its finished products, group commitment and cohesiveness, and such individual outcomes as job satisfaction, personal performance, and attendance.<sup>23</sup>

The key aspect of the congruence model is that system elements, both inputs and processes, interact with one another such that changes in one part of the system can cause radical changes in another part of the system. For example, a change in the nature of raw materials or other inputs into the system may necessitate a change in the organizational and job structures, as well as in human resource processes, and may ultimately influence the outputs in terms of product quality or job satisfaction. Likewise, a change in technology may result in a change in culture, structure, and any or all of the other transformation processes.

There are several important implications of the systems approach to diagnosing and implementing change. Managers need to recognize that changes in one area may cause unintended changes in another as the overall system seeks to regain equilibrium. Also, because systems tend to seek equilibrium, managers can expect that some changes may

be resisted or even nullified by a lack of change in the rest of the system. For example, taking managers offsite for training in participative management may not result in actual change back on the job if the structure, the informal organization, and human resource systems and culture remain unchanged. A major implication is that, for significant change to occur, managers may have to intentionally change all or a number of the transformational processes simultaneously and in support of one another so that the new configurations work in harmony to exact improved outputs.

A number of the organizations we have discussed thus far have attacked the change process while recognizing the interrelationship of change variables. Home Depot, for example, realized that targeting women more effectively would not only require the company to release female-oriented advertising but also redesign stores to be more appealing to this demographic and improve customer service.



Source: Aon Khamisorn/Shutterstock

Technological improvements may result in organizational change.

**comprehensive model of planned change:** A step-by-step plan for implementing major change.

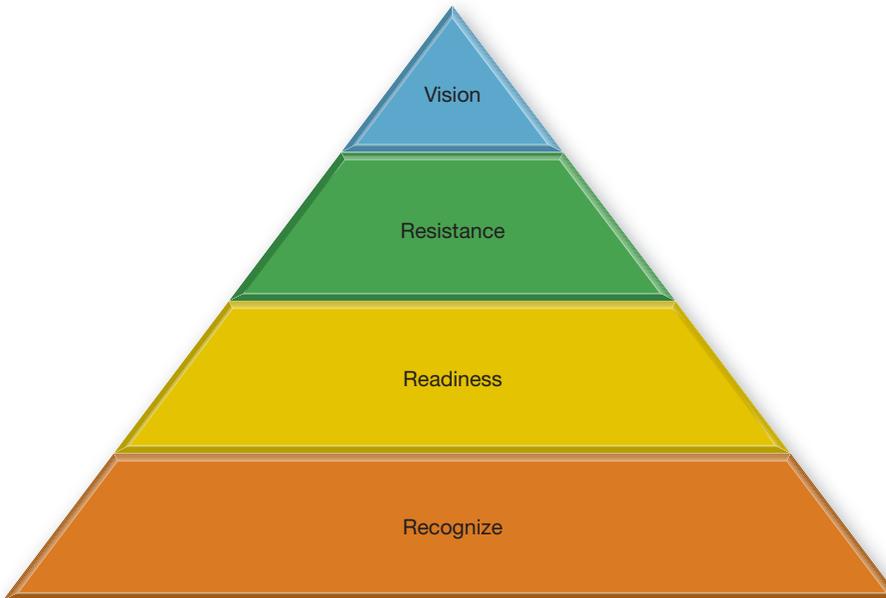
## Comprehensive Model of Planned Change

The **comprehensive model of planned change**, a step-by-step plan for implementing major change, encompasses all the facets of change discussed thus far and more.<sup>24</sup> It includes a set of activities managers must engage in to manage the change process effectively: recognizing the need for change, motivating change, creating a vision, developing political support, managing the transition, and sustaining momentum for the change (Figure 10.2).

### Recognizing the Need for Change

The change process begins with someone recognizing a need for change after scanning the organization's environment. We have already discussed some of the forces that may prompt a need for change, as well as some of the feedback mechanisms that may suggest

**FIGURE 10.2**  
Comprehensive Model  
of Planned Change



needed directions for change. Recognition of the need for change may occur at the top management level or in peripheral parts of an organization, but experts disagree on where the change is most likely to start. Once the need for change is recognized, the manager must motivate change by preparing people for the changes they will face and overcoming their natural resistance to change.

### Creating Readiness for Change

Preparing people for change is similar to Lewin's unfreezing step. It entails primarily bringing dissatisfaction with the current state to the surface. For instance, because of the weakening global economy, customers have been less likely to pay premium prices for intellectual technology initiatives. This puts India-based Infosys at a disadvantage as a core strategy was to sustain high profit margins. The CEO of Infosys acknowledged that changing its strategies would be rough and even painful for the company but noted that it was necessary for survival.<sup>25</sup> Shareholder dissatisfaction with company performance in part led the Washington Post Company to sell its newspaper business and change its corporate name, as mentioned earlier. The new firm's purchase of a company in the highly profitable health care industry also represents a part of the "unfreezing" in regard to the company's identity.

Preparing people for change requires direct and forceful feedback about the negatives of the present situation, as compared to the desired future state, and sensitizing people to the forces of change that exist in their environment. Managers can make themselves more sensitive to pressures for change by surrounding themselves with "devil's advocates," using networks of people and organizations with different perspectives and views, visiting other organizations in order to be exposed to new ideas, and using external standards of performance, such as a competitor's progress or benchmarks.<sup>26</sup>

### Overcoming Resistance to Change

When change occurs, there will almost always be resistance, and understanding why resistance occurs can give managers some insight into how to deal with it.

#### Sources of Resistance to Change

Some of the most common reasons for resisting change include uncertainty and insecurity, reaction against the way change is presented, threats to vested interests, cynicism and lack of trust, perceptual differences, and lack of understanding.



Source: ninaveter/Shutterstock

Whereas empowerment of employees to make more decisions can be a positive in many organizations, a dramatic change in leadership and employee responsibilities can be met with resistance.

People need a certain amount of stability and security in their lives, and change can present unknowns that produce anxiety. Employees may worry about their ability to meet new job demands or even fear losing their jobs. Given the recent COVID-19 era, it is logical and understandable that most employees view change negatively. They may believe they will be unable to learn new required skills, or they may simply have personalities that cause them to dislike ambiguity. Change often results in altered work practices and work group relationships. Workers may resist restructuring attempts and continue to conduct business as they did before if the fabric of their social relationships is threatened.

Resistance to change may grow out of a reaction against being controlled or loss of autonomy. If a change seems arbitrarily imposed or unreasonable, if management uses little tact in implementing or announcing it, or if it is poorly

timed, negative reactions may result. If a company had encouraged participation and empowerment but stopped because of a tough economy or bad business cycle, that kind of change is likely to be severely resented.

Some changes may result in employees losing their positions of power; labor union situations provide an excellent example of concern over such loss. A top executive of the Inland Steel Company described the painstakingly slow progress in trying to implement a total quality management (TQM) program at his company as the United Steelworkers scrutinized every move management tried to make to improve operations.

Employees who have been treated unkindly or, at best, indifferently by management over the years are likely to face any change with considerable skepticism. At Inland Steel, workers were cynical because they were accustomed to hearing management pay “lip service” to employee empowerment without seeing any meaningful change. Years of traditional hierarchical management may cause workers anywhere to be very skeptical when management proposes moving into more progressive organizational practices, such as TQM and empowerment. At Inland Steel, employees were eventually empowered to find ways to improve yields. Internal reforms, along with a weak dollar and a long-term value orientation, helped Inland Steel bounce back to profitability. Inland Steel Company caught the attention of Ispat International N.V., which later acquired the company.<sup>27</sup>

Sometimes people resist change because they perceive the situation differently from those trying to institute the change. They may perceive that no change is warranted or that a different type of change would be more effective based either on a different diagnosis of a problem or a different opinion about what should be done. Employees and supervisors in one large manufacturing plant told their corporate engineers that the new design for a production line would not work. The company spent nearly \$300,000 changing the line anyway, and sure enough, the new line did not work. Managers should recognize that workers’ perceptions of a situation may be more accurate than their own because of their proximity to it. In some cases, resistance to a bad change can ultimately save the company time and money.

One situation where there might be particular resistance to change is when an organization attempts to introduce a new **innovation**, or a new product, method, process, or approach. In order for any innovation to occur successfully in an organization, significant organizational change needs to occur. For instance, the successful Apple innovations of today, such as the iPhone, iPad, and Apple Watch, were not developed without significant organizational change. Although Apple started off in the 1970s as an innovative company with revolutionary new products, it stagnated in the late 1990s. When co-founder Steve Jobs returned as CEO, he recognized that major organizational changes were needed to return Apple to its status as an innovative company. He simplified product matrixes, placed renewed emphasis on product development, and created a top-down culture of accountability. As part of this change, employees were made to feel as if they were part of

**innovation:** The act of introducing a new product, method, process, or approach.

something greater than themselves. These changes helped Apple branch out into the consumer electronics market and develop revolutionary innovations that would change the music, computer, and mobile phone industries (among others). Later, the firm changed its name from Apple Computer to Apple Inc. to signify its move into consumer electronics.<sup>28</sup>

Finally, resistance may stem from a lack of understanding of the change, including its need, nature, or implications for individuals. When the change process is not clearly presented, people tend to fill in the information gaps with rumors and speculation, often assuming the worst in terms of personal impact. On the other hand, as Inland Steel and Apple demonstrate, informing employees of the reasons for the change, providing them with more responsibilities, creating a shared vision, and developing a strong corporate culture are a few of the ways managers can overcome resistance to change.

### Reducing Resistance to Change

Research has identified a number of different strategies that managers may apply to deal with resistance to change, including education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation, co-optation, and coercion (Table 10.3). Managers *try* to match a strategy to the demands of a situation to overcome resistance or manage it with minimal disruption. Factors worth considering are the amount and type of change being attempted; the power of the resisters; the nature, cause, and form of the resistance; and the short- and long-term effects of the strategy.

One of the primary tactics used to help people deal with the anxiety of change is education and communication. Consultant Jean Keffeler says that “the amount of communication required to allay organizational anxiety in times of unusual change, even if the change is perceived as positive, is enormous. People have an insatiable need to hear what’s going on and what it means to them?”<sup>29</sup> Communication is key.

In the long run, getting employee participation in change decisions and increased involvement in all aspects of the change may be the single best method to overcome resistance. Participation increases understanding of the change process, enhances feelings of control and autonomy, and provides for employee input that can make the change work better. It reduces uncertainty and often allows for the maintenance of social relationships during the change. Once the change is finally complete, a sense of ownership discourages resistance and increases commitment to making the change successful. At the Xerox Corporation, for example, some employees historically resisted the company’s movement

**TABLE 10.3** Methods for Dealing with Resistance to Change

Method	Description
Education and communication	Inform employees about the need for change and communicate the potential positive outcomes
Employee participation	Get employees involved in change decisions to increase understanding and increase commitment
Managerial support	Provide stress counseling, special training, and simply good listening to reduce fear of change
Negotiation	Making concessions in an area not related to the change or distributing perks that help make the change easier
Manipulation	Selectively distributing information to control the perception of a change
Co-optation	Having resistant individuals join the change team—specifically to reduce their power to resist, rather than to truly participate
Coercion	Threaten punishment for resistance to change

away from its nuts-and-bolts copier machine business. To change people's minds in this regard, company executives said they had to get employees to "align and feel engaged" and get "passionate" about what they do.<sup>30</sup>

When anxiety and fear cause resistance, management can offer support in the form of stress counseling, special training, and simply good listening. Unfortunately, most organizations do a bad job with respect to stress counseling and listening. Managers should acknowledge the legitimacy of the anxiety and discomfort, whereas many managers intensify anxiety by acting startled that employees would not readily accept a change. Accepting employees' discomfort and helping them deal with it can help management gain commitment to the change. Training in change management, coping mechanisms, stress management, and career self-management will facilitate the change process.<sup>31</sup>

Sometimes management can negotiate an exchange of something in return for acceptance of a change. Making concessions in an area not related to the change or distributing perks that help make the change easier can help overcome resistance. Because of strong union resistance, changes at Inland Steel were negotiated at almost every phase of change and over nearly all issues related to job design, work team design, the compensation system, and even transition team makeup. Although changes took longer under these conditions, management recognized the real power of the union to undermine any change attempt of which it disapproved, as well as the union's power to help change occur. Negotiation and participation slowly overcame some of the resistance.<sup>32</sup>

Manipulation and co-optation are sometimes used when other tactics will not work or have been tried unsuccessfully. Manipulation occurs when information and decisions are selectively distributed to control the perception of a change. Co-optation involves having resistant individuals join the change team—specifically to reduce their power to resist, rather than to truly participate. If employees recognize the manipulation or co-optation, however, even greater resistance can occur and ultimately make the change even more difficult. In universities, it is a common practice for deans to appoint faculty "troublemakers" to advisory committees in areas where they might resist a dean's proposed change. This co-opting makes the resisters part of the change process and minimizes their impact but also keeps them from complaining about not being involved or about their loss of autonomy. There is sometimes a fine line between participation in the change process and co-optation. A real danger occurs with this tactic if it is obvious or superficial. Imagine the reaction if John or Robert Kennedy had tried in 1963 to co-opt the resistance of Martin Luther King, Jr., by offering him a government job during the civil rights movement.

Coercion is sometimes used when managers will not or cannot take the time to implement less authoritarian tactics. The obvious danger with the use of real or implied threats or punishment is the antagonism and further resistance that are generated—sometimes very subtly—and the damage that it can do to the relationship between the change agent and those resisting the change. Many progressive managers reject the use of coercion, as well as manipulation and co-optation, on moral and ethical, as well as practical, grounds. These techniques are not consistent with the more open, ethical, and positive climates their companies are trying to create.

### Creating a Vision

Managers can facilitate change by clearly defining and communicating their vision of where their firms are headed. Applying Lewin's model, this means knowing what the desired future state C will look like. That mental picture can be fairly general—perhaps being a lean, flexible organization—or it can be quite specific—such as one multinational company's vision of having sales forces of a certain size placed on each of five major continents by the year 2035.

The Graham Holdings Corporation (formerly Washington Post Company), for example, created a vision of being a more diversified corporation than it has been in the past. Transformational leaders, as discussed elsewhere in the text, inspire with their visions of



Source: fizkes/Shutterstock

The ability to visualize and communicate the desired future state is crucial to planned change.

the future. John F. Kennedy said in 1961 that we would reach the moon in that decade, inspiring a space program and a nation. Martin Luther King, Jr.'s "dream" of equality in his lifetime inspired an entire race.

A research study that surveyed several hundred change agents (those who initiate or foster change) found that the single most positive facilitator of a change program is "creating a shared vision with employees of what the organization will look like when the program is completed."<sup>33</sup> The ability to visualize and communicate the desired future state is therefore crucial to planned change. Helpful mechanisms include a clear mission statement, a specific statement of desired performance and human outcomes, a clear explanation of processes that will facilitate the outcomes (for example, rewards being based on performance), and midpoint goals to keep motivation high and to provide feedback.<sup>34</sup>

### Developing Political Support

We can picture organizations as political systems composed of different groups competing for power. Managers of different functional areas compete for resources and influence, so each develops their own sources of power. Workers compete with management over who will determine the structure of jobs and overtime and other work issues. For change to be successful, leaders of change must identify key stakeholders and then develop support within the key political groups.<sup>35</sup> They can use various sources of power and change strategies to generate support from these players. Once the key leaders are brought on board, they can in turn generate energy in support of a change. Raymond Smith, the former CEO of Bell Atlantic (now Verizon), used the term "shadow of the leader" to depict the role of leaders who were to cast their shadows over the organization by modeling desired behaviors. JetBlue has made its ability to respond to customers with complaints on a "real-time" basis via social media a part of its whole corporate "DNA," with support directly from the top of the organization all the way down.

Leaders can also use symbols and language to facilitate change. Researchers are now exploring the importance of the use of metaphors to diagnose organizational functioning.<sup>36</sup> For example, picturing a top-executive group as "a basketball team that sometimes plays together, but often has one player hog the ball" can help the group understand a problem it may be having with one strong member dominating the group and its subsequent effects on other group members. Using symbolic team names can also help people focus on change.

## Managing the Transition

**transition state:** The period during which the organization learns the behaviors needed to reach the desired future state.

While the organization moves from the current state to its desired future state, it will go through a period of change, or “moving” in Lewin’s terminology. This **transition state** is the period during which the organization learns the behaviors needed to reach the desired future state. This can be a period of extreme disruption and must be effectively managed, or chaos can occur and the desired future state will never be achieved. During the transition, the organization needs to develop and use feedback mechanisms to ensure that changes really are happening as planned. These can include surveys, sensing groups, and consultant interviews, as well as existing informal communication channels. Three major activities are required during the transition: activity planning, commitment planning, and management structures.<sup>37</sup>

### Activity Planning

Activity planning refers to designing the road map and noting specific events and activities that must be timed and integrated to produce the change. Change expert David Nadler says that, at this stage, change leaders should use “multiple and consistent leverage points.” Growing out of systems theory and the congruence model, his idea is that a number of different processes (leverage points) must be changed so that they support one another and the overall desired state.<sup>38</sup> If greater customer service is the goal, then the organizational structure might be changed to empowered teams. Team members could be sent to visit key customers personally to assess their needs, and reward systems could be changed to encourage new ideas for customer service and to reduce defects that cause customer dissatisfaction. Such activities must be sequenced and integrated to form a consistent system. Using Lewin’s terminology, this would mean reducing many of the “restraining forces” and increasing the “driving forces” all at once or in the proper sequence. There must be a “fit” or “alignment” of these key processes.

### Commitment Planning

Commitment planning starts with identifying key political powers in the organization. It also entails planning specific ways to get them involved in the transition activities in order to gain their support. Singapore-based nonprofit International Rubber Study Group is a community of governments and companies in the rubber industry. A goal for the group is to create a plan of sustainability standards for the rubber industry. However, creating and implementing these standards requires commitment from purchasers of rubber—particularly top officials at tire companies, which are some of the largest rubber consumers. The nonprofit has hosted summits that include representatives from companies such as Bridgestone Corp., Michelin, and Semperit A.G. Bridgestone has committed to having tires made from 100 percent sustainable raw materials by 2050.<sup>39</sup>

### Management Structures

Management structures (such as individual appointees, teams, or ad hoc committees) must be used to help run things during the transition, plan the direction of the changes, and keep ongoing operations running smoothly as the change occurs. Management structures for handling the transition can include the chief executive officer or other high-level manager, a project manager to coordinate the transition, representatives of major constituencies involved in the change, natural leaders who have the confidence and trust of large numbers of affected employees, a cross-section of people representing different functions and levels, and/or a cabinet, representing people with whom the chief executive consults and in whom the CEO confides.<sup>40</sup>

Our example companies have used different structures. Sometimes these structures are temporary, created to meet special needs. Xerox’s board reserves the right to create ad hoc committees when considered necessary.<sup>41</sup> After Bob McDonald retired from Procter & Gamble (P&G) as CEO, he worked closely with P&G’s leadership team and with the new CEO to ensure a smooth leadership transition.<sup>42</sup> It was important for the company to gain

the confidence of consumers and reassure them that P&G leadership was pursuing the best courses of action for the firm.

## Sustaining the Momentum of the Change

Once a change has begun, initial excitement can dissipate rapidly in the face of everyday problems. However, managers can help sustain the momentum for change by providing resources, developing new competencies and skills, reinforcing new behaviors, and building a support system for those initiating the change. Extra resources may be needed for training, consultation, data collection and feedback, special meetings (even off-site retreats), and to provide a financial buffer if performance drops during the transition period. Managers usually underestimate both the time and extra resources needed to execute a major change. Changes often require new skills of organizational members: problem-solving skills for group members, interpersonal skills for line workers suddenly asked to talk to customers, and software skills for employees using new technology. The new skills employees are required to learn and new resources go hand in hand.

The entire organization must reinforce not only the learning of new behaviors but also those persons initiating the new learning. When high-level managers are the agents of change, the reinforcement and support must come from the network of persons who understand and support the change. An internal consulting group or external consultant can reinforce the executives and provide a sounding board for their decisions. New organizational structures may have to be devised for support. High-level management must reinforce lower-level managers and workers by linking formal rewards to the desired behaviors. One major auto company for instance, in trying to improve quality, linked 40 to 60 percent of its managers' bonuses to product quality. Recognition, encouragement, and praise are informal rewards that can be tied quickly to desired behaviors. Even the good intrinsic feeling associated with the achievement of goals can help maintain momentum when early successes are built into the change program.<sup>43</sup> Campbell Soup Corporation's top executives, for example, have been historically well known for throwing impromptu parties (or so-called "wingdings") to celebrate company performance improvements.

## Organizational Development

One general approach to planned change that has gained prominence over the last 30 years or so focuses primarily on people processes as the target of change. This approach—called organization development—is grounded largely in psychology and other behavioral sciences, although more recently, it has evolved into a broader approach encompassing such areas as organizational theory, strategy development, and social and technical change.

### The Nature of Organizational Development

**Organizational development (OD)** can be formally defined as "a system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness."<sup>44</sup> This definition reflects several important features of organizational development. First, OD deals with whole systems (company, department, work group) as opposed to a single individual or a single function within a system. Second, OD uses behavioral science knowledge, such as in the areas of leadership, motivation, team functioning, rewards, conflict resolution, and change. This distinguishes it from such things as computer-systems or operations-research types of change approaches. Third, OD involves planned change, but not in the more rigid sense of organizational planning. Rather, it involves more of an adaptive, flexible, ongoing process of diagnosing and solving people-related problems. Fourth, it involves the creation and reinforcement of change with all the implications we have discussed thus far. Fifth, it can encompass strategy, structure, and process changes—although, traditionally, OD has focused on the people processes almost exclusively. Finally, OD focuses on improving organizational effectiveness, in terms of both productivity

**organizational development (OD):** A system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness.

**You're the Manager . . . What Would You Do?**

**THE COMPANY:** Hamburger Deluxe

**YOUR POSITION:** Operations Manager

**THE PLACE:** Portland, Oregon

Hamburger Deluxe was a highly centralized restaurant chain with authority concentrated at the upper levels. Frontline employees had to go through their superiors and fill out long forms to share feedback, submit maintenance requests, or file reports. Even simple repair requests took days or even weeks, and as a result, morale was very low. Maintenance of the restaurant's soda machines was substandard, in part due to employee apathy because maintenance technicians were not held accountable for the condition of the machines. Poor and infrequent maintenance led to low-quality service, including poorly carbonated drinks and frequent breakdowns.

Hamburger Deluxe brought in a new operations manager to assess the problems and provide a detailed recommendation on how to change the situation. After weeks of study and interviews, the manager suggested decentralizing the organization and delegating responsibility to the lowest levels of the organization. He recommended creating maintenance teams and giving frontline team members responsibility for the maintenance of all machines under their control. The operations manager also suggested moving maintenance teams to several locations throughout the country to provide greater access to major metro areas. The key to the plan is creating a feeling of personal interest and pride in each restaurant team's success.

Hamburger Deluxe decided to accept and implement the operations manager's plan. The results were outstanding. Teams developed very strong identities and began to compete with each other for maintenance awards based on the length of time between major service problems. The plan made maintenance and frontline employees feel important and necessary for the success of the organization.

With morale, involvement, and performance improving, the operations manager next set out to address the flow of communication. Soda machine re-



Source: Mike\_shots/Shutterstock

Hamburger Deluxe works to improve employee morale with a significant reorganization.

pairs had been slowed because high-level authorities had to approve all major repair and maintenance work. This system was changed by giving employees greater opportunities to make repair decisions and greater access to parts (inventories were dramatically expanded). New computer software programs were used to list available parts at each repair facility, and couriers were utilized to shuttle parts to needed restaurants. After the reorganization, parts could be delivered to most locations within one hour.

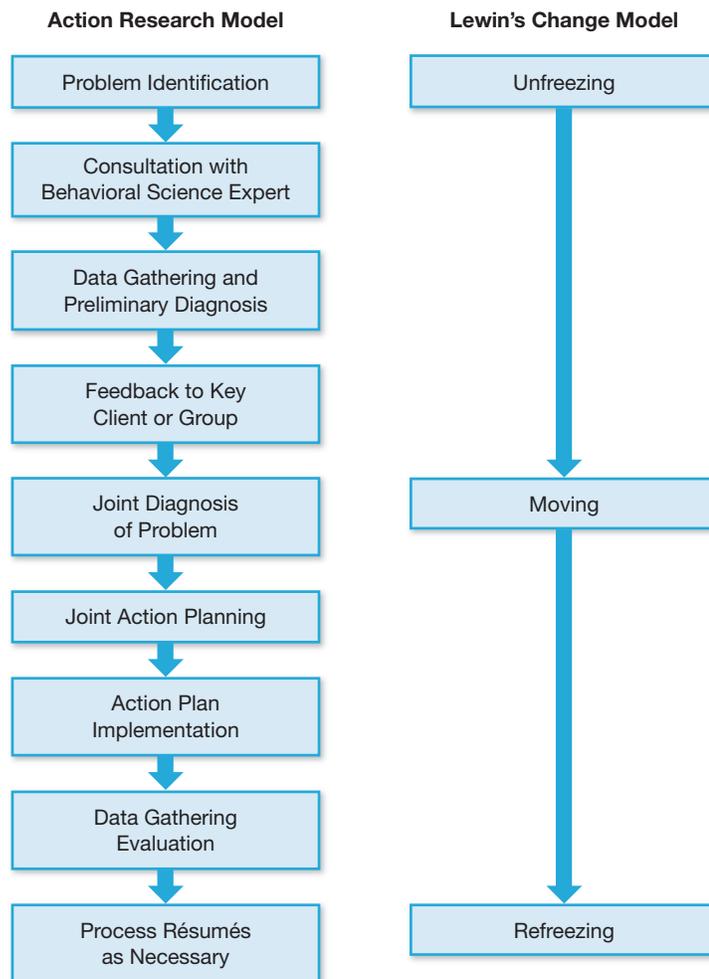
Finally, the operations manager ordered that all restaurants be completely cleaned by third-party cleaners and refurbished and that new uniforms be provided for employees. This was intended to enhance employees' pride in working for the restaurant chain.

**QUESTIONS**

1. As the new operations manager, evaluate your plans to change this organization.
2. What are the inherent benefits and risks of decentralization?
3. What do you see as your long-term priorities in managing this new system? How will you maintain morale and productivity?

and quality of work life. An important aspect of the practice of OD is that effectiveness implies that organizations learn to solve their own problems and ultimately deal successfully with issues without the help of an outside consultant who specializes in OD.

Organizational development is often carried out with the aid of a consultant, either from outside the company or from within, who is separate from the team or group being assisted. An OD practitioner, often called a change agent, facilitates the change process by structuring learning experiences, diagnosing problems, helping to generate and implement solutions, and encouraging certain types of interaction processes. The actions of these agents of change are generally referred to as interventions because they attempt



**FIGURE 10.3**  
Comparison of Action Research Model to Lewin's Change Model

to hinder the erosion of the organization's effectiveness by modifying the ways its members function. Although OD practitioners usually have specialized training in the behavioral sciences, many have supplemented that expertise with training in other areas to give them the broader perspectives that are useful in facilitating change in today's complex organizations.

The focus of OD is often the hidden or more subtle features of an organization. Although an OD intervention might change more visible features, such as structure, formal authority relationships, policies, and technology, OD tacitly recognizes the impact of the more hidden, informal organization and deals with many of these features to promote organizational effectiveness.

Most OD interventions use an **action research** approach to change, which encompasses and further defines the steps of the Lewin change model (see Figure 10.3) and involves an ongoing process of joint (consultant with clients) problem discovery, diagnosis, action planning, action implementation, and evaluation. The evaluation uncovers further problems on which to focus, using the action steps again. As problems are successfully addressed, the organization, over time, learns the skills necessary to properly conduct the action research process without an OD practitioner's assistance, and the client-consultant relationship is eventually terminated. This model provides the basic format through which a number of varied OD interventions are implemented.

**action research:** Encompasses and further defines the steps of the Lewin change model and involves an ongoing process of joint (consultant with clients) problem discovery, diagnosis, action planning, action implementation, and evaluation.

## OD Interventions

The following overview of OD interventions, although not exhaustive, reflects the varied nature of the OD approach to change, as well as the different levels at which change might

**TABLE 10.4** OD Interventions

Type of Intervention	Example
Survey Feedback	Use questionnaires to get information
Process Consultation	Consultant focuses directly on client and goals
Team Building	Helping two or more groups work together
Role Negotiation	Negotiating role behaviors/expectations
Life and Career Planning	Structured counseling for employees
Third-Party Peacemaking	Outside-party conflict resolution
Techno-Structural Redesign	Restructuring reporting and other relationships
Job Redesign	Changing the nature of tasks
Grid OD	Six-phase overall organizational intervention

be targeted. Many OD interventions use some combination of these different approaches, with the number and variety of techniques, tools, and facilitative experiences being limited only by the art, skill, and imagination of the many practitioners. Table 10.4 describes the different types of organizational development interventions.

### Survey Feedback

**survey feedback:** Involves gathering data through questionnaires and personal interviews.

**Survey feedback** involves gathering data through questionnaires and personal interviews. The data are tabulated, organized, and returned to the surveyed group by the change agent in anonymous summarized form and used as a vehicle to stimulate discussion about problem areas that the group should address. The content or focus of the survey is usually the behavioral processes that make up this section of your management textbook (leadership, motivation, and so on), although other problems that surface may also be addressed. Data may consist of facts, perceptions, attitudes, and opinions but tend to be most helpful when they are specific, accurate, limited, relevant, important, and inspiring. How the data are used is as important as the nature of the data itself. Data must be fed back to the client group in such a way as to be accepted as valid, cue the group into important areas, stimulate movement or change, promise a reward if behavior is successfully changed, and generate present and future learning.<sup>45</sup>

An example of survey feedback occurred in a 15-year-old engineering company whose president felt that some high-level managers and key employees resisted attempts to make necessary changes, seemed to lack a sense of urgency about performance, and in general did not function well as a team. A consultant conducted personal interviews with the high-level managers and discovered that the president's authoritarian and often sarcastic leadership style was a root cause of many of the symptoms the president had perceived. These data were presented during an off-site retreat exercise in which the president was allowed to listen to and seek clarification on the summarized data but was not allowed to defend reported actions. The employees' perceptions were accepted as valid, verified during the exercise, and treated as import-



Source: zimmytwis/Shutterstock

Surveys help managers understand employees' attitudes and can identify problems that need to be addressed.

ant. The group, with the consultant's help, designed a program to help the president improve in key interpersonal areas. This example, as well as a number of the other techniques discussed below, should emphasize the importance of the behavioral science training of the change agent. The potential damage, for individuals and the overall organization, is severe if these activities are not planned, structured, and implemented with skill and understanding. Untrained amateurs have no business engaging in this type of endeavor.

### Process Consultation

During **process consultation**, a consultant focuses on the dynamic task-related processes—how a client or group sets goals, gathers information, solves problems, and allocates work—and assists the client organization in diagnosing how to enhance these kinds of processes. Again, such areas as communication, conflict resolution, leadership, and decision making may be examined and targeted for improvement. A key difference between process consultation and survey feedback is that the consultant is involved in more direct behavioral observation in the former but asks others about their perceptions, attitudes, and feelings in the latter.<sup>46</sup> Feedback, diagnosis, action planning, implementation, and evaluation are still a part of both interventions.

**process consultation:** A consultant focuses on the dynamic task-related processes—how a client or group sets goals, gathers information, solves problems, and allocates work—and assists the client organization in diagnosing how to enhance these kinds of processes.

### Team Building

**Team building** involves using structured group experiences to help ongoing work teams function more effectively through better decision making, goal setting, and intragroup communications. It may also deal with group leadership patterns, roles members perform in the group, and group norms and values. Team building may be part of process consultation or grow out of a diagnosis conducted through the survey-feedback process. FMI is an outside consultant firm that often provides team-building services for projects in the construction industry.<sup>47</sup> Team building, at times, became considerably more challenging for organizations during the COVID-19 pandemic, with many employees working remotely or even possibly out sick.

**team building:** Involves using structured group experiences to help ongoing work teams function more effectively through better decision making, goal setting, and intragroup communications.

**Intergroup team building** is designed to facilitate functioning between two or more groups by helping the groups understand and deal with areas of conflict; debilitating interaction patterns; perceptual discrepancies; norm, goal, and value differences; and lack of coordination. The Transportation Security Administration (TSA), which provides security screening in U.S. airports, has put special emphasis on employee team building in recent years.

**intergroup team building:** Designed to facilitate functioning between two or more groups by helping the groups understand and deal with areas of conflict; debilitating interaction patterns; perceptual discrepancies; norm, goal, and value differences; and lack of coordination.

### Role Negotiation

**Role negotiation** entails structuring interactions between interdependent persons or groups to clarify and negotiate role behaviors and expectations. Role negotiation helps groups and individuals know what their responsibilities are, what actions they should take at different times in dealing with certain issues, and, in general, how they are to work together. This intervention can be a primary focus in itself or part of a broader team-building or intergroup team-building program.

**role negotiation:** Entails structuring interactions between interdependent persons or groups to clarify and negotiate role behaviors and expectations.

### Life and Career Planning

**Life and career planning** involves the use of structured counseling and group discussions, often accompanied by skill and interest testing, to assist employees in planning career paths and integrating life and career goals. These activities can be planned and combined with an overall education and employee development program.

**life and career planning:** Involves the use of structured counseling and group discussions, often accompanied by skill and interest testing, to assist employees in planning career paths and integrating life and career goals.

### Third-Party Peacemaking

**Third-party peacemaking** involves a consultant who facilitates conflict resolution between two individuals. It may entail structuring meetings, facilitating discussions, interpreting communications, pacing interactions, and suggesting compromises or integrative solutions.<sup>48</sup>

**third-party peacemaking:** Involves a consultant who facilitates conflict resolution between two individuals.

## PROFILES IN MANAGEMENT

**NAME:** Safra Catz  
**COMPANY:** Oracle  
**INDUSTRY:** Computer Software  
**POSITION:** CEO

Safra Catz, the CEO of Oracle Corporation, has been a catalyst for change at the company since the late 1990s. Catz was influential in convincing Oracle to acquire rival PeopleSoft in 2005—a move that propelled it to the second spot in the global software industry. She has been included among the world's most powerful women in rankings by both *Forbes* and *Fortune*.

Catz was head of the software business at investment banking firm Donaldson, Lufkin & Jenrette before joining Oracle as a senior vice president. A key part of Catz's job was to improve operations. This included implementing organizational changes and cost cutting. These changes led to annual cost savings of \$1.5 billion and an increase in operating profit margins. According to Oracle's board, it also helped Oracle weather the technology downturn that occurred, allowing the company to avoid having to lay off large numbers of workers.

Catz also advocated Oracle's acquisition of PeopleSoft, a rival firm specializing in business software. At the time, PeopleSoft was the second-largest software company. When PeopleSoft turned down Oracle's offers, Oracle engaged in a hostile takeover of the company. Acquisitions can be risky due to their high costs, possible misalignment of strategies, and resentment from the acquired firm. Catz worked to overcome resistance to the deal by assuring Oracle's investors and customers of the benefits of the acquisition. Oracle acquired PeopleSoft for \$10.6 billion.



Source: dlsereg/Shutterstock

Catz was promoted to co-CEO in 2014, later becoming the sole CEO of the firm. Software continues to be a quickly changing market, requiring Catz to keep Oracle prepared to invest in emerging innovations. For example, Oracle recognized that its cloud application offerings were not efficient for customers, so it revamped its cloud sales and developed the Accelerated Buying Experience to simplify the process.

Catz has adopted practices for helping Oracle employees through some of the more challenging transitions. She emphasizes the need to communicate the firm's strategic direction and explain how required changes will advance that strategy. She believes showing employees the work benefits that result from organizational changes is an important step in bringing employees on board.<sup>49</sup>

**techno-structural redesign:** A large-scale intervention that involves redesigning the organizational structure to better address environmental contingencies and better utilize information and process technologies.

**job redesign:** Focuses on changing the nature of how tasks are performed and often entails job rotation, job enrichment, and/or job enlargement.

**grid OD:** A six-phase overall organizational intervention that attempts to enhance the ability of the organization to continually improve.

### Techno-Structural Redesign

**Techno-structural redesign** is a large-scale intervention that involves redesigning the organizational structure—reporting relations, division of labor, departmentalization, functions, and the like—to better address environmental contingencies and better utilize information and process technologies. A self-designing organization intervention involves employees in the ongoing process of self-examination and redesign to meet rapid environmental changes.

### Job Redesign

**Job redesign**, you will remember from elsewhere in the text, focuses on changing the nature of how tasks are performed and often entails job rotation, job enrichment, and/or job enlargement. Job redesign attempts to enhance not only productivity but also job involvement and organizational commitment.

### Grid OD

**Grid OD** is a six-phase overall organizational intervention that comprehensively and systematically attempts to enhance personal management style, team functioning, inter-

group problem solving, overall organizational functioning, and the ability of the organization to continually improve how it solves its own problems, resolves conflicts, and makes decisions.

### Using OD Interventions Successfully

The success of OD interventions depends on matching the correct intervention to the organizational need, the skill of the OD practitioner at implementing the program, and the readiness of the client organization to accept the intervention. Because OD emphasizes joint diagnosis and action planning, acceptance of the process and the ultimate change strategies is often very high.

It should be apparent from the information presented in this chapter that organizational change is both a complex and pervasive phenomenon. Understanding the process of planned change and developing skills in various change techniques and processes will likely be a key competency for successful managers of today's intricate business organizations.



Source: Worrawoot.s/Shutterstock

Job rotation involves giving employees different responsibilities within the organization.

## Summary and Review

- **Define organizational change and explain the dimensions and types of change.** Organizational change refers to modifying the behaviors or ideas of an organization or its units. Organizational changes are often a result of reactions to internal or external environmental forces. Change varies in how extensively it is planned (reactive to planned change), how extreme the change is (incremental to quantum change), how much members are involved in learning how to conduct future change, where the change is targeted (level and/or functional area), and whether the organization needs to be loosened up or more highly organized. Different types of change reflect an overall focus on different features of organizational functioning. Strategy changes focus on the nature of how the organization will conduct its business and meet its market demands. Organizational structure and design changes deal with how work will be organized, delegated, and managed. Technology changes focus on changing machinery or equipment that enhances either the products of the company or its means of producing the good or service. Human process changes focus on the interpersonal processes and overall cultural components that influence or make up the way people interact in the organization.
- **Interpret three models of change, particularly the steps involved in the comprehensive model of change.** Kurt Lewin's model of change views change as a process of "unfreezing" the forces that keep an organization functioning at a certain level

(state A), "moving" or changing to new behaviors (state B), and then "refreezing" the behavior into a new equilibrium or behavioral level (state C). The congruence model characterizes change as an interrelated set of transformational processes and structures that turn organizational and environmental inputs into organization, group, and individual outputs.

The comprehensive model of planned change involves a sequence of management activities that are important for quantum change. Managers first must recognize a need for change by scanning the internal and external environments. Then they must motivate the change by preparing people for change (unfreezing) and overcoming the resistance to change that inevitably arises. Managers must also create and communicate a vision of the future that inspires commitment to the change process and the desired future state and develop political support for change with powerful constituencies.

The transition must also be successfully managed through activity planning, commitment planning, and the use of management structures to control the process. Finally, momentum for the change must be maintained by providing resources for the change, developing new competencies and skills, reinforcing new behaviors, and building support for the change agents.

- **Determine the major causes of resistance to change and recommend how managers can deal with change resistance.** Resistance to change

may occur because of uncertainty and insecurity, reaction to the way change is presented, threatened vested interests and real loss, cynicism and lack of trust, perceptual differences, and a simple lack of understanding. One situation where there might be particular resistance to change is when an organization attempts to introduce a new innovation or a new product, method, process, or approach. Specific tactics for addressing resistance include education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation, co-optation, and when all else fails, explicit and implicit coercion.

- **Explain organizational development (OD) and summarize the major OD interventions.** Organizational development is a system-wide application of behavioral science knowledge to the planned development and reinforcement of organizational

strategies, structures, and processes for improving an organization's effectiveness. OD often involves the use of change consultants or practitioners who help the organization implement an action research approach to change by jointly discovering and diagnosing problems, developing and implementing action plans, and evaluating results and repeating the process. Specific OD interventions that typically use the action research approach include survey feedback, process consultation, team and intergroup development, role negotiation, life and career planning, third-party peacemaking, techno-structural redesign, job design, and grid OD.

- **Assess an organization's change program.** Based on what you've learned in this chapter, you should be able to assess the change program implemented in the "Business Dilemma" box and project future actions for the organization.

## Key Terms and Concepts

action research 317	life and career planning 319	refreezing 307
comprehensive model of planned change 308	moving 307	role negotiation 319
congruence model of change 308	organizational change 300	survey feedback 318
grid OD 320	organizational development (OD) 315	team building 319
incremental change 303	performance gap 302	techno-structural redesign 320
innovation 310	planned change 302	third-party peacemaking 319
intergroup team building 319	process consultation 319	transition state 314
job redesign 320	quantum change 303	unfreezing 307
	reactive change 302	

## Ready Recall

1. What external forces necessitate changes in the way companies do business? What internal forces can cause a change in the way a company does business? Supply examples of how these forces prompt change.
2. Explain the five dimensions of change along which organizations can be analyzed to determine causes and solutions to problems.
3. Name and briefly explain four different types of organizational change.
4. Compare and contrast Lewin's model of change with the congruence model of change. Compare and contrast these changes to the models of change discussed in the text—in particular, the comprehensive model of planned change. (This would be a good project to do with one or two fellow classmates.)
5. What are the major steps in the comprehensive model of planned change?
6. What are the major sources of resistance to change in organizations? List seven major strategies for overcoming resistance to change.
7. What is organizational development (OD)?
8. List and explain at least seven major types of OD interventions.

- Which of the following characteristics relates to organizational change?
  - The deliberate structuring of operations and behaviors, often in anticipation of environmental forces
  - Any modification in the behaviors or ideas of an organization or its units
  - A large-scale planned change in how the firm operates
  - A situation in which organizational members react spontaneously to external and internal forces but do little to modify these forces or their behaviors
- Which of the following refers to the difference between an organization's desired and actual performance levels?
  - Transition state
  - Performance gap
  - Congruence model of change
  - Innovation
- Which of the following involves disrupting the forces maintaining the existing state or level of behavior?
  - Unfreezing
  - Transition state
  - Refreezing
  - Innovation
- What is the congruence model of change?
  - The deliberate structuring of operations and behaviors, often in anticipation of environmental forces
  - The difference between an organization's desired and actual performance levels
  - A step-by-step plan for implementing major change
  - An outgrowth of the systems approach to organizational theory that emphasizes the interrelationships between the various parts of an organization and how a change in one part will cause reactive changes in other parts
- Which of the following refers to the act of introducing a new product, method, process, or approach?
  - Innovation
  - Action research
  - Unfreezing
  - Refreezing
- What is designed to facilitate functioning between two or more groups by helping the groups understand and deal with areas of conflict; debilitating interaction patterns; perceptual discrepancies; norm, goal, and value differences; and lack of coordination?
  - Team building
  - Job redesign
  - Intergroup team building
  - Organizational development (OD)
- Which of the following involves a consultant who facilitates conflict resolution between two individuals?
  - Team building
  - Third-party peacemaking
  - Unfreezing
  - Refreezing
- What term describes a large-scale intervention that involves redesigning the organizational structure to better address environmental contingencies and better utilize information and process technologies?
  - Action research
  - Planned change
  - Job redesign
  - Techno-structural redesign
- Which of the following is an example of an external force that may affect an organization?
  - Employees
  - Owners
  - Board of directors
  - Competitors
- Which of the following is an internal feedback mechanism that can signal that the organization needs to change in response to environmental forces?
  - Customer surveys
  - Attitude surveys
  - Supplier code of conduct
  - Competitive analysis

*Answers can be found in the end-of-book Answers section.*

## Expand Your Experience

1. Think about the external and internal forces that have affected your college or university in the recent past, are affecting it now, and will affect it in the not-too-distant future. What changes have you seen, and what ones do you think will be necessary in the future, in the areas of strategy, structure and design, technology, and people processes or culture to deal with these forces of change?
2. Find and interview the owner of a fairly small business (10 to 20 employees) in your community that has been in existence for at least ten years. Discuss the major changes the owner has made in the business and analyze how the changes came about and how they were implemented and sustained.
3. Many employees in business have been asked to undergo radical changes in how they do their jobs. Find an employee who has faced a major change (it could be a friend, relative, classmate, etc.) and discuss their resistance to the change, including why the employee felt resistance. How was it overcome? How did the company try to overcome resistance? Think of a similar change you've been asked to make and analyze your own sources of resistance to change.

## Strengthen Your Skills

### Change from a Management Standpoint

*Instructions:* The following scenario is designed to help you think about some of the various challenges one faces when managing a change process. Imagine yourself as the manager in the scenario. After reading the scenario, answer the questions below. Keep the concepts of organizational change and innovation in mind as you answer the questions.

#### Scenario:

Sabrosa Dining, a New Mexican restaurant, makes the best salsa and hot sauce in the state. The condiments are so popular that the restaurant began bottling 8-ounce and 16-ounce jars under the brand name Sabrosa Dining to sell directly from the location. This created even more demand for the products. Increasingly more customers pour into the restaurant every day to purchase jars of salsa and hot sauce. Although this may seem like a good thing, it is negatively contributing to the operation of the restaurant. Too much congestion in the lobby is creating too much noise pollution for the diners, and people are constantly bumping into each other in the lobby. Just last week, a fire marshal came in for a meal and, after seeing the conditions, warned the manager of safety violations. Additionally, the restaurant cannot keep up with the demand. In fact, the chefs are upset because they constantly have to make salsa

on top of the regular orders. The manager has received increasing complaints from dining customers regarding the decreasing quality of the food. Some say that their orders were served cold, whereas others claim that their sides of beans and rice were smaller than usual. Not surprisingly, most of the complaints refer to the lack of free salsa refills at the dining tables. The manager knows something needs to change, but he is unsure how to go about it. He is also unsure how the employees will react to any changes because they are accustomed to their routines.

#### QUESTIONS:

1. Why is change needed? What organizational issues does this change seek to address?
2. Who will be affected by this change?
3. Where in the organization would you expect to experience the most resistance to this change?
4. What types of resistance do you anticipate? What will the resistance look like?
5. What can you do to proactively manage those who are resistant?
6. What specific behaviors do you need from the employees to address the resistance?
7. What type of personal support or assistance will you need to implement the change?

## Case 10: Chevron Gasses Up on Green Energy

Chevron Corporation is the third-largest publicly traded energy company in the world. Based in San Ramon, California, Chevron runs two of the state's largest oil refineries. The multinational company produces crude oil, natural gas, and other energy products. Its business portfolio, which has changed greatly over the years, includes

exploration and production, marketing and retail, supply and trading, chemicals, and technology. Due to external forces pushing corporations toward sustainable energy solutions, Chevron continues to expand further into clean energy, including hydrogen, renewable natural gas, and carbon capture and storage.



Chevron experiences significant organizational change.

Chevron has prioritized delivering affordable, reliable, and sustainable energy solutions. The company has greatly increased its spending on sustainability initiatives, pledging to spend about \$10 billion on low-carbon projects through 2028. To support this strategic focus, Chevron formed Chevron New Energies, a business unit focused on low-carbon products. This includes renewable diesel, sustainable aviation fuel, renewable natural gas, biodiesel, and renewable base oil. The company expects the New Energies unit to generate more than \$1 billion in cash flow within the next decade. Its greenhouse gas abatement projects are expected to reduce emissions by 4 million metric tons per year once they are completed.

Carbon capture, utilization, and storage (CCUS) technology captures, transports, and stores carbon dioxide before it enters Earth's atmosphere. CCUS is increasingly important to Chevron's strategy and will help the company achieve its goal of reaching net-zero emissions. In some countries, corporations receive tax credits for every metric ton of carbon captured, creating an incentive for Chevron to dive deeper into CCUS technology. The primary opportunities Chevron is chasing are reducing the carbon intensity of the company's existing assets and growing its carbon capture business. Chevron plans to capture carbon mainly through hubs linking third-party emitters as partners and customers. Working with the U.S. Department of Energy, the energy company is developing new technology to make carbon capture more affordable. Beyond CCUS, Chevron is investing in soil carbon storage, reforestation, and mangrove restoration. Chevron engages with the Mangrove Ecosystem Restoration Alliance (MERA) in Indonesia through a five-year program that is focused on mangrove conservation education.

Many external threats exist for energy companies, including climate change, cyber-threats, natural disasters, regulation, tariffs, and more. Innovation is at the heart of Chevron's environmental risk management strategy. For

example, Chevron's Integrated Waste Solution (IWS) system automates and standardizes many processes (e.g., waste requests, approvals, tracking, and payment) to help operations be more efficient. This saves time and mitigates waste-disposal risks. Chevron conducts research and develops new capabilities at the Chevron Technical Center. There, the company monitors emerging technologies, identifying new opportunities to meet business-unit needs.

For now, Chevron's low-carbon investment is a fraction of its total spending on oil and gas projects, but the company knows this will shift slowly over time. With the right regulatory incentives (e.g., cap-and-trade programs), the company has said it would invest more in green energy. As the economics of green energy improve, Chevron is likely to invest more of its time and money. Compared to other multinational energy companies, Chevron has been slow to commit to green energy. For instance, BP, Royal Dutch Shell, and other European energy companies have invested many more resources in renewables and have sold off oil fields. Although some environmentalists, investors, and other critics have questioned Chevron's slow-and-steady environmental strategy, the company has performed well financially, attracting investors who agree with Chevron that fossil fuels have and will continue to have an important role in the energy sector.

Corporations, particularly energy companies, face pressure from governments and investors to tackle climate change. Although Chevron was relatively slow to make a net-zero commitment, the company maintains its refusal to set targets without a plan in place. Chevron says it will reach net zero by 2050. Activists are urging Chevron to do more to help the United States meet the goals of the Paris Agreement, a legally binding international treaty aimed at addressing climate change. More than 190 other parties signed the agreement, which includes a five-year cycle of increasingly challenging climate action.

Chevron continues to perform well financially; it has increased its annual dividend payout to shareholders for more than 34 years. The company believes that fossil fuels will remain important to the energy sector for years to come while recognizing that sustainable energy is a growing priority in the long run. Chevron will focus on CCUS technology, hydrogen, and renewable gas and plans to make strategic acquisitions to support its vision of becoming a leading renewable fuel company.<sup>50</sup>

1. Describe some of the external forces affecting the oil and gas industry.
2. What is Chevron's vision?
3. How is Chevron's strategy changing?

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