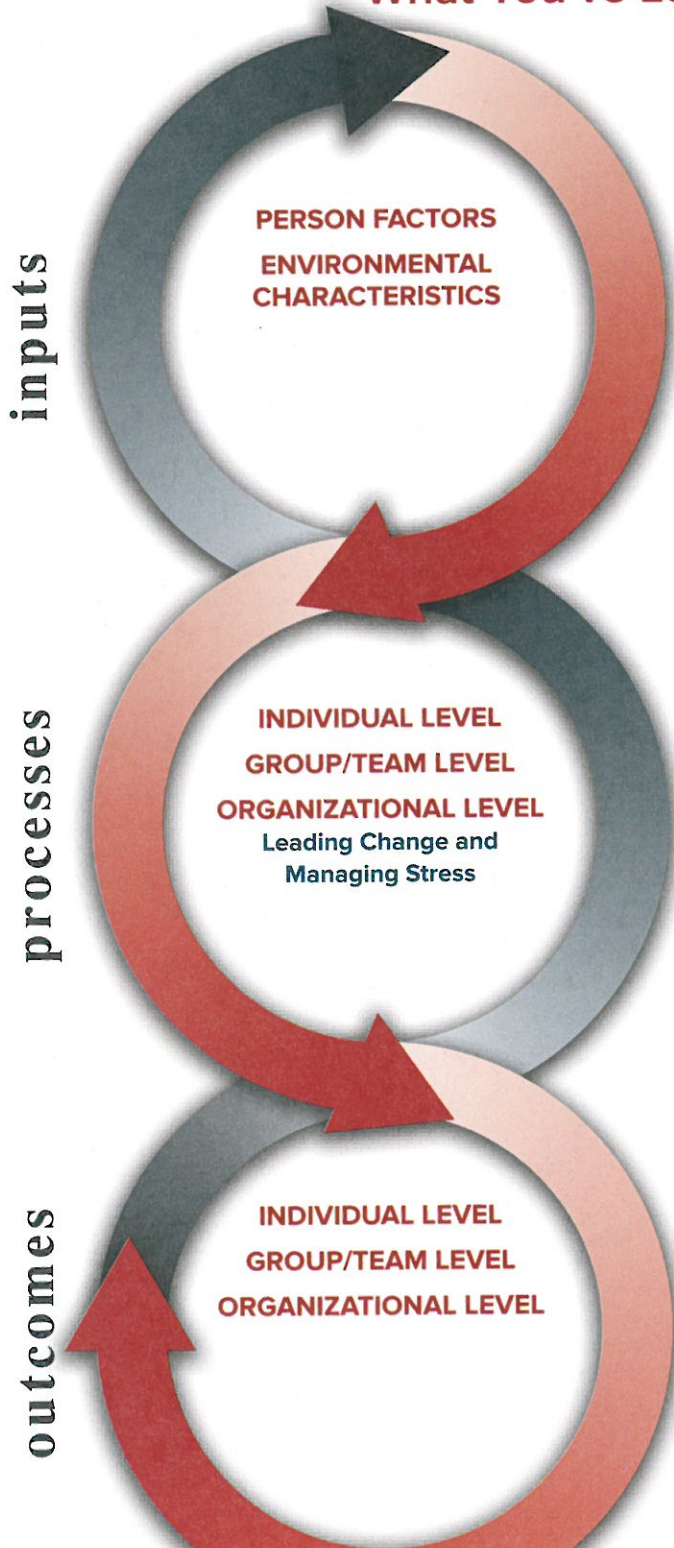## Questions for Discussion

1. How does this exercise foster open-system thinking? Give examples.

2. Did this exercise broaden your awareness of the complexity of modern organizational environments? Explain.

3. Why do managers need clear priorities when it comes to dealing with strategic constituents?

4. How many *trade-offs* (meaning one party's gains at another's expense) can you detect in your team's list of strategic constituents? Specify them.

5. How difficult was it for your team to complete this assignment? Explain.

16 MANAGING CHANGE AND STRESS

How Can You Apply OB and Show What You've Learned?

inputs

PERSON FACTORS

ENVIRONMENTAL CHARACTERISTICS

processes

INDIVIDUAL LEVEL

GROUP/TEAM LEVEL

ORGANIZATIONAL LEVEL
Leading Change and Managing Stress

outcomes

INDIVIDUAL LEVEL

GROUP/TEAM LEVEL

ORGANIZATIONAL LEVEL

MAJOR TOPICS I'LL LEARN AND QUESTIONS I SHOULD BE ABLE TO ANSWER

16.1 FORCES FOR CHANGE

MAJOR QUESTION: *What are the common forces or drivers of change at work, and how can this knowledge improve my personal effectiveness?*

16.2 TYPES AND MODELS OF CHANGE

MAJOR QUESTION: *How can different approaches to change make me and my organization more effective managers of change?*

16.3 UNDERSTANDING RESISTANCE TO CHANGE

MAJOR QUESTION: *Why do people resist change and what can I do about it?*

16.4 THE GOOD AND BAD OF STRESS

MAJOR QUESTION: *How can stress affect my effectiveness—positively and negatively?*

16.5 EFFECTIVE CHANGE AND STRESS MANAGEMENT

MAJOR QUESTION: *How can OB knowledge and tools help me effectively manage change and stress?*

INTEGRATIVE FRAMEWORK FOR UNDERSTANDING AND APPLYING OB

Leading change and managing stress are ultimate tests of your understanding and ability to apply OB knowledge and tools. As you'll learn, effectively leading change processes requires you to consider both person and environmental inputs and outcomes across organizational levels. Because of the complexity and broad impact of organizational change, it also is a major source of stress at work. We therefore encourage you to use this final chapter as a test of the knowledge you've accumulated throughout this book and course.

HOW TO W.I.N. AT STRESS AND CHANGE

We chose this fitting acronym for the final Winning at Work in this book. Everybody has stress and everybody is confronted with change. And as you'll learn in this chapter, change is often stressful. We therefore offer some simple and practical recommendations you can apply to school, work, and other arenas of your life.

DETERMINE WHAT YOU CAN AND CANNOT CONTROL

Many people, including a large number of researchers, find that the more control you have over your environment the less stress you'll experience. This also applies to dealing with change. For example, changes at work are typically much less stressful if you are involved in the planning and have some say (control) over the processes and outcomes of the changes. Therefore, a good place to start when managing stress and change in the many arenas of your life is with determining what you can control and what you can't. Once you've done this, then you'll be well on your way to applying what Sharon Melnick, a noted stress researcher, calls *W-I-N at Change*.[1] First, identify a change in some arena of your life—school, work, a relationship. Then follow the three steps below and see if you don't reduce your stress and increase your success at managing change.

Written Inventory. Make a three-column chart. Write the implications of the change for you personally in column one. In the second column, describe your reactions to these implications. Pay particular attention to your emotions (Chapter 3) and how they affect your reactions.

Individual Responsibility. Describe in the third and final column what specific things you can do to address the implications and your reactions. Do you need to manage your emotions? Would it be helpful to seek some support from a classmate, colleague, or friend? It might be helpful to consider your attributions (Chapter 4), potential biases (Chapter 6), or the possibility of miscommunication (Chapter 9). Be sure to focus on the aspects that you can control, and don't get distracted or bogged down in what you can't.

New Learning Plan. Situations that cause stress and/or require change are often excellent opportunities for learning. You can learn what triggered your stress and how to avoid or prevent it in the future. But we also encourage you to be purposeful and identify what specific skills you need to effectively *manage* the change. Then, describe what you need and can do to learn these skills. Consider finding a mentor or coach, as this can also help build your social capital (Chapter 1). Set goals, make a plan, and work the plan (Chapters 5 and 6).

FOR YOU	WHAT'S AHEAD IN THIS CHAPTER

We know you've heard the statement: "The only constant in life is change." But we want you now to think about what this might mean for your job and career. We created this chapter not only to help you answer this question, but also to give you practical knowledge and tools to help you manage change at different levels in the Integrative Framework of OB. To do this, we'll explore common forces or drivers for change, as well as learn about some popular models for understanding and managing change. It also is common for people to resist change. It therefore is useful to learn about some of the causes of resistance and what you can do about it. Because change is a major cause of stress at work, and in your life as a whole, we then help you understand both the positive and negative aspects of stress. The chapter concludes with suggestions on how to manage resistance, stress, and change more generally.

MAJOR QUESTION

What are the common forces or drivers of change at work, and how can this knowledge improve my personal effectiveness?

THE BIGGER PICTURE

There are a great many potential causes or forces for organizational change. Therefore, to understand and manage them more effectively, we've organized them into two broad categories—internal and external forces. Making this distinction will enable you to better manage this important organizational-level process to achieve a variety of outcomes across levels in the Integrative Framework of OB.

Before we dive into a general discussion of the forces for change, we think a good place to start is to assess your own general attitudes toward change. Remember from Chapter 2 that attitudes are tendencies to respond either favorably or unfavorably to a given object or situation. Complete Self-Assessment 16.1 to learn about your own predisposition toward change. Then use all of what you learn in this chapter to help you strengthen an already positive attitude, or improve one that is not.

connect

SELF-ASSESSMENT 16.1 What Are My General Attitudes Toward Change?

Go to connect.mheducation.com and take Self-Assessment 16.1 to learn about your general attitudes toward changes at school or work.

1. What is your overall attitude? Are you surprised?
2. Think of three examples from your school or work life that are consistent with your score.
3. Now think of a personal example where you think you possessed a clearly negative attitude toward a particular change. What made this different from/similar to your general attitudes toward change?
4. Drawing on what you learned in Chapter 2 about attitudes, describe two specific ways you can improve your attitudes toward change.
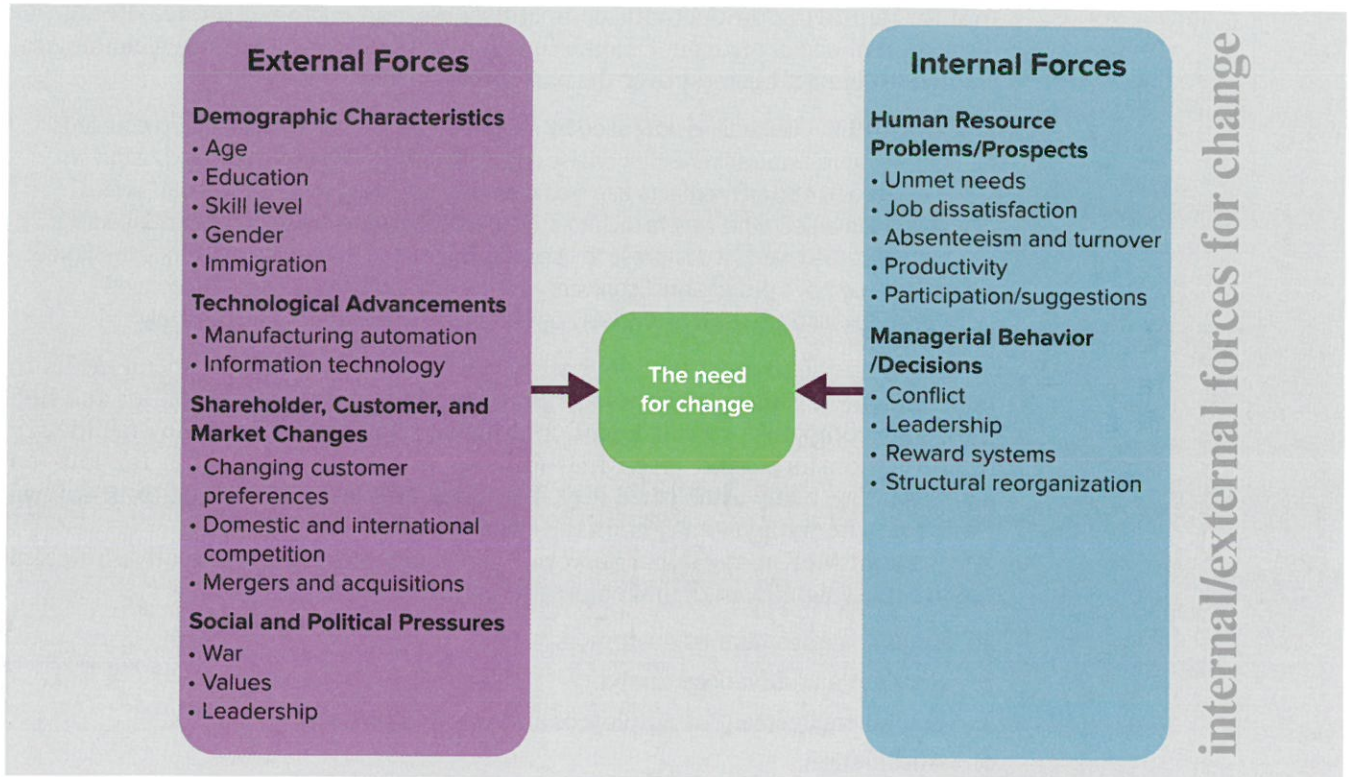
SOURCE: Adapted from Miller, V. D., Johnson, J. R., & Grau, J. "Antecedents and willingness to participate in a planned organizational change," *Journal of Applied Communication Research*, 1994, 22: 59–80.

Now that you have a sense of your own attitudes toward change, consider this question about organizations: How do they know when they should change? What cues should an organization look for? Although there are no clear-cut answers to these questions, one way we can find cues signaling the need for change is to monitor the forces for change. These forces often differ greatly, and to help make sense of the variety we categorize them into external and internal forces (see Figure 16.1).

External Forces

External forces for change originate outside the organization. Such forces often apply to your organization and its competitors or even entire industries. External

FIGURE 16.1 EXTERNAL AND INTERNAL FORCES FOR CHANGE

External Forces

Demographic Characteristics
- Age
- Education
- Skill level
- Gender
- Immigration

Technological Advancements
- Manufacturing automation
- Information technology

Shareholder, Customer, and Market Changes
- Changing customer preferences
- Domestic and international competition
- Mergers and acquisitions

Social and Political Pressures
- War
- Values
- Leadership

The need for change

Internal Forces

Human Resource Problems/Prospects
- Unmet needs
- Job dissatisfaction
- Absenteeism and turnover
- Productivity
- Participation/suggestions

Managerial Behavior /Decisions
- Conflict
- Leadership
- Reward systems
- Structural reorganization

internal/external forces for change

forces therefore can dramatically affect why an organization exists, as well as which markets it participates in and how. For instance, external changes can either present new opportunities for organizations to realize and grow (e.g., smartphones for consumers and Apple's iPhone), or they can cause the ultimate demise or failure of a business (e.g., smartphones for consumers and Blackberry). Let us now consider the four key external forces for change: demographic characteristics, technological advancements, market changes, and social and political pressures.

Lehman Brothers was the fourth largest investment bank to collapse in the wake of the Wall Street meltdown of 2008. The meltdown destroyed people's lives and life savings, and its effects are still seen today. Lehman's bankruptcy is considered the largest in U.S. history.

Demographic Characteristics   Chapter 2 provided a detailed discussion of demographic changes occurring in the US workforce. You learned that organizations are changing benefits and aspects of the work environment in order to attract, motivate, and retain diverse employees. Organizations also are changing the way in which they design and market their products and services and design their store layouts based on generational differences. For example, Ken Romanzi, North American chief operating officer for Ocean Spray Cranberries Inc., told a *Wall Street Journal* reporter that "we don't do anything to remind boomers that they are getting older."[2]

Persistently high unemployment levels among young people around the world are creating a strong force for change by governments and organizations alike. Experts believe that much of the current unrest in the Middle East is being fueled by a younger population that cannot find meaningful employment opportunities.[3]

Technological Advancements Technology is a common and often cost-effective tool for improving productivity, competitiveness, and customer service. Recall our discussion of social media in Chapter 9, as it is one of the most notable technological changes to impact business over the past several years.

EXAMPLE LinkedIn is now used by more than 225 million people in 200 countries. What's more astonishing is that one source reports that 77% of all jobs are posted on the site, and 48% of recruiters use it as their only recruiting tool! "Simply put," writes Jamie Cifuentes, who covers technology for *PC Magazine,* "recruiters love LinkedIn. It simplifies their work, it costs less to use, and users can't lie about their work experience when they have professional contacts who can view what they post." Twitter and Facebook also are used extensively by recruiters, 54% and 66%, respectively.[4]

Other surveys report that 98% of recruiters use some form of social media to find employees. This one technology has changed how employees look for and find jobs, how companies recruit talent, and how companies make money facilitating these relationships. And given that millions of people are looking for jobs on any given day, many established (e.g., Facebook and Google) and yet-to-be-known companies are trying to cash in on the opportunities.[5]

A recent McKinsey Global Survey of CEOs and other senior executives revealed the five most significant digital enterprise trends in business:[6]

1. Digital engagement of customers
2. Big data and advanced analytics
3. Digital engagement of employees and external partners
4. Automation
5. Digital innovation

Each of these may present job and career opportunities for you. To be sure, OB will play a central role in the level of success individuals and organizations have with each. Put another way, it is people who design and use such technological tools, interpret the data, and then ultimately formulate and apply them effectively. "[D]espite the host of technical challenges in implementing digital [approaches]," McKinsey notes, ". . . success (or failure) of these programs ultimately relies on organization and leadership, rather than technology considerations."[7]

Shareholder, Customer, and Market Changes Shareholders have become more involved with pressing for organizational change in response to ethical lapses from senior management and anger over executives' compensation packages. For instance, since 2011 public companies are required to allow shareholders to vote on executive compensation. These are referred to as "say on pay" provisions and are part of the Dodd-Frank Act. Although the votes are nonbinding, which means the company is not obligated to comply with the vote, the policy has indeed resulted in changes. In 2012 approximately 50 out of 3,000 companies received no votes, such as Citigroup, McKesson, and Abercrombie & Fitch. Nabors Industries, an oil services company, failed all three years such votes have been required. Many companies are now hiring firms (well-known examples include Institutional Shareholder Services and Glass, Lewis, & Co.) to advise them on changes to their compensation practices, all in efforts to win future approval and support from shareholders.[8]

To the right of President Obama, US Senators Chris Dodd and Barney Frank watch the signing of the Wall Street Reform and Consumer Protection Act in 2010.

Customers also are increasingly sophisticated and demand the companies with whom they do business to deliver higher value products and services. If they don't

get what they want, then they will shop elsewhere. This has led more and more companies to seek customer feedback about a wide range of issues in order to attract and retain customers because "turning a potential negative situation into visible positive sentiment is social media's biggest potential advantage," writes Lauren McCrea of the Ignite Social Media Agency.[9]

> **EXAMPLE**   Walmart collects feedback from millions of customers to help improve service and merchandising.

> **EXAMPLE**   UPS takes customer service to another level. It not only includes the names and pictures of its customer service representatives on its Facebook page—so you can "see" who you're dealing with—but it also provides direct e-mail and phone contact info! Yes, you can contact a person directly![10]

Social and Political Pressures   These forces are created by social and political events. For example, widespread concern about the impact of climate change and rising energy costs have been important forces for change in almost every industry around the world. Companies have gone "green," looking for ways to use less energy themselves and to sell products that consume less energy and are safer to use. For example, Esquel, one of the world's largest producers of premium cotton shirts, received pressure from retail customers such as Nike and Marks & Spencer to improve its environmental and social performance. These retailers pressed Esquel to produce more cotton organically.

This is very difficult to do because most of Esquel's cotton comes from Xinjiang, "an arid province in northwestern China that depends mainly on underground sources of water," according to Stanford's Hua L. Lee. "The traditional method of irrigation there was to periodically flood the fields—an inefficient approach that created a perfect breeding ground for insects and diseases. Heavy pesticide use was a necessity." This pressure ultimately caused Esquel to closely work with farms to implement sustainable farming techniques. "For example, it assisted them in adopting drip irrigation to decrease their water use and in establishing natural pest- and disease-control programs such as breeding disease-resistant strains of cotton, to reduce reliance on pesticides. (The new variety of cotton plants also produced stronger fiber, resulting in less scrap during fabric manufacturing than conventional cotton did.)"[11]

Political events, such as the wars and unrest in the Middle East, also can create substantial change. Many defense contractors and infrastructure companies find opportunities due to such events. Events aside, governments can apply political pressures that can force or block changes. French pharmaceutical company Sanofi has been restructuring its research and development facilities around the world. Part of these changes included closing a lab in Toulouse that was not producing enough new drug discoveries to continue operating. However, the French government intervened and blocked the closing in French courts. The labor laws in the country make it easier for the government to prevent profitable companies from cutting jobs, particularly in high-tech industries that French politicians want to foster. This is challenging for Sanofi, which wants to consolidate specific operations to particular cities around the globe, like early drug research in Boston and infectious diseases in Lyon (another French city).[12]

Internal Forces

Internal forces for change come from inside the organization. These forces may be subtle, such as low job satisfaction, or can manifest in outward signs, such as low productivity, conflict, or strikes. Internal forces for change come from both human resource problems and managerial behavior and decisions.

Human Resource Problems or Prospects   These problems stem from employee perceptions about how they are treated at work and the match between individual and organization needs and desires. Chapter 2 highlighted the relationship between an employee's unmet needs and job dissatisfaction. Dissatisfaction is a symptom of an underlying employee problem that should be addressed.

EXAMPLE   Employees at Foxconn, one of Apple's major Chinese suppliers, went on strike after managers required harsh production demands for the iPhone 5. Workers slowed production to a halt and even had violent clashes with management and inspectors. Tensions with the incredibly stringent quality standards were intensified when the company disallowed vacation time during the holidays to meet production goals. Apple has since taken a more active role in assuring higher wages and better working conditions at Foxconn and other suppliers.[13]

It also is common for new executives to "clean house." When new CEOs take charge they often bring in their own people. About a quarter of CFOs, for example, are gone within one year of a new chief executive taking the reins. CFOs that have survived such changes in leadership offer three pieces of advice that executives and others can benefit from:

1. *Communicate.* "It's better to err on the side of over communication . . . there's so much [the incoming CEO] needs to learn." Share both job-critical details and information about the culture, people, and customers.

2. *Identify the CEO's strengths and compensate for the weaknesses.* It can be helpful to learn the knowledge and skill gaps and do what you can to cover them. This will prevent the new executive from being blindsided. Complement his or her skills and knowledge.

3. *Don't be an obstacle or resister.* Embrace the change. "If you don't believe in the direction the boss is going, and you don't say why, and you sit there and simmer with resentment, that's not a good place to be."[14]

Unusual or high levels of absenteeism and turnover also represent forces for change. Organizations might respond to these problems by using the various approaches to job design discussed in Chapter 5, and by removing the different stressors discussed later in this chapter. To help combat these challenges, leaders and managers of change are well served to encourage employee participation and suggestions.

Managerial Behaviors and Decisions   Excessive interpersonal conflict between managers and their subordinates or the board of directors is a sign that change is needed.

EXAMPLE   Andrew Mason, founder and former CEO of Groupon, was fired due to his strategy and underperformance. He decided to take the firm aggressively into selling goods and not just coupons for discounts with local merchants. These actions, combined with underperforming international expansion, led the board to conclude that his decisions and direction were not right for the company. (See the Problem-Solving Application Case at the end of Chapter 11.)

"After four and a half intense and wonderful years as CEO of Groupon, I've decided that I'd like to spend more time with my family. Just kidding—I was fired today." Farewell memo to Groupon employees from Andrew Mason, its founder and former CEO.[15]

BP not only changed is senior leadership but also its practices related to safety, motivated by the disastrous spill in the Gulf of Mexico in 2010 and previous explosion in a Texas facility in 2005. Current CEO Bob Dudley knows all aspects of the oil business and has spent $14 billion on cleanup efforts and another $11 billion for settlements. Dudley is determined "not to let unethical and potentially criminal behavior worm its way into the final settlements." His attitude—and the company's approach—is "instead of stressing the safety for the sake of complying with regulatory guidelines or passing an audit, BP's goal is to build a behavior-based safety culture, one in which everyone on the job is committed to performing their work safely, even when no one is looking over their shoulder." He brought in retired admiral Frank Bowman, of the U.S. Navy's nuclear fleet, to oversee the safety program. And to be sure he has adequate influence, Mr. Bowman is also on the BP board of directors.[16]

MAJOR QUESTION

How can different approaches to change make me and my organization more effective managers of change?

THE BIGGER PICTURE

Researchers and managers alike have tried to identify effective ways to manage the change process, given its importance for organizational survival. This section provides insights into general types of organizational changes, as well as reviews of Lewin's change model, a systems model of change, Kotter's eight steps for leading organizational change, and the organizational development approach. Each serves as an organizational-level tool that affects many outcomes across the levels of our Integrative Framework of OB.

major question

Given the incredible variety of changes that occur, how are you supposed to manage them effectively? Do you just "wing it" and do whatever you feel in the moment? Or do you develop a particular approach and manage any and all changes the same way? The contingency approach in Chapter 1 suggests that you'd be wise to have a variety of approaches or change management tools and use the one best suited for a particular change. We provide such knowledge and tools in this section. Let's start our discussion by looking at general types of changes.

Three General Types of Change

A useful way to organize and think about change is displayed in Figure 16.2. You'll notice that this is similar to the common types of innovation you learned in Chapter 15—product, process, core, or transformational. These similarities make sense, as innovation requires change. Therefore, the common types of change differ in degree of change much like the types or degrees of innovation. With this in mind, many if not most organizational changes can be put into one of these three categories.

1. *Adaptive change* is the least complex, costly, and uncertain. It involves reimplementation of a change in the same organizational unit at a later time or

FIGURE 16.2 A GENERIC TYPOLOGY OF ORGANIZATIONAL CHANGE

general types of change

Adaptive change	Innovative change	Radically innovative change
Reintroducing a familiar practice	Introducing a practice new to the organization	Introducing a practice new to the industry

Low ├──┤ High

- Degree of complexity, cost, and uncertainty
- Potential for resistance to change
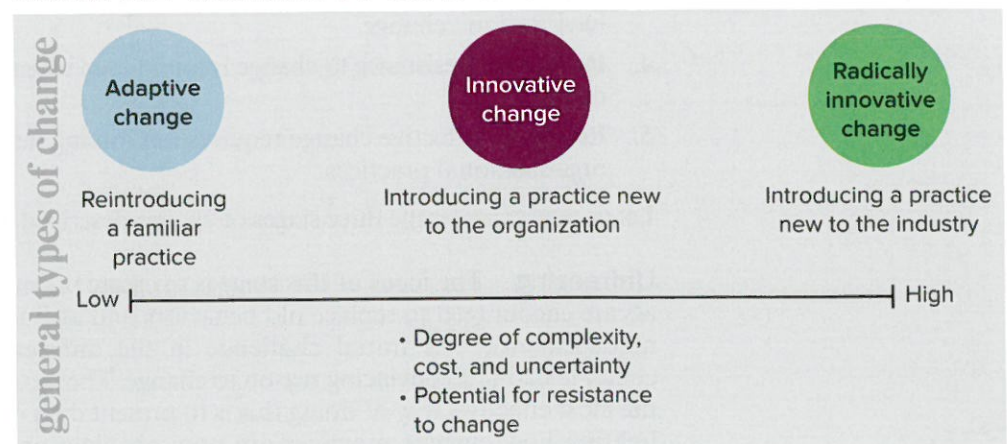
imitation of a similar change by a different unit. For example, an adaptive change for a department store would be to rely on 12-hour days during the annual inventory week. The store's accounting department could imitate the same change in work hours during tax preparation time. Adaptive changes are not particularly threatening to employees because they are familiar.

2. *Innovative change* **falls midway on the continuum of complexity, cost, and uncertainty.** Many companies now utilize flextime and flexspace work arrangements (recall our discussion from Chapter 10). If other companies in their industry already utilize such practices, then this would qualify as an innovative change. Intel, for example, is embarking on innovative changes as they try to compete in the smartphone and tablet markets. While these are quite different from the PC markets where Intel made its name, many of its competitors (e.g., ARM Holdings) are doing the same.[17] Innovative changes are therefore more complex, as organizations need to learn new behaviors, as well as create, implement, and enforce new policies and practices. These situations both have more uncertainty and cause more fear than adaptive changes.

3. *Radically innovative change* **is at the high end of the continuum of complexity, cost, and uncertainty.** Changes of this sort are the most difficult to implement and tend to be the most threatening to managerial confidence and employee job security. At the same time, however, radically innovative changes potentially realize the greatest benefits. Radical changes must also be supported by an organization's culture. Organizational change is more likely to fail if it is inconsistent with any of the three levels of organizational culture: observable artifacts, espoused values, and basic assumptions (see the discussion in Chapter 14).

Now that you've learned how to categorize types of change, let's turn our attention to specific models of how to manage change.

Lewin's Change Model

Most models of organizational change originated from the landmark work of social psychologist Kurt Lewin. Lewin developed a three-stage model of planned change that explained how to initiate, manage, and stabilize the change process.[18] The three stages are *unfreezing*, *changing*, and *refreezing*. Before reviewing each stage, it is important to highlight some key assumptions underlying this model and many of the others:[19]

1. **Learn and unlearn.** The change process involves learning something new, as well as discontinuing or unlearning current attitudes, behaviors, or organizational practices.

2. **Motivation.** Change will not occur unless there is motivation to change. This is often the most difficult part of the change process.

3. **People make or break.** People are the key to all organizational changes. Any change, whether in terms of structure, group process, reward systems, or job design, requires individuals to change. Organizations don't change if employee behaviors don't change.

4. **Resistance.** Resistance to change is found even when the goals of change are highly desirable.

5. **Reinforce.** Effective change requires reinforcing new behaviors, attitudes, and organizational practices.

Let us now consider the three stages of change described by Lewin. Refer to Figure 16.3.

Unfreezing   The focus of this stage is to create the motivation to change. Individuals are encouraged to replace old behaviors and attitudes with new ones (desired by management). The initial challenge in the unfreezing process is creating and communicating a convincing reason to change. The most common, but not necessarily the most effective, way of doing this is to present data or compelling arguments highlighting how current practices are now obsolete or less than ideal, such as low

FIGURE 16.3   LEWIN MODEL OF CHANGE
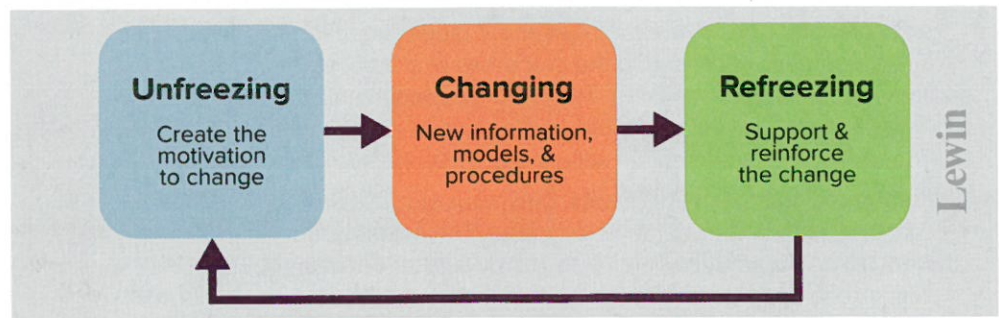
employee or customer satisfaction data, or market share gains made by competitors. This approach is exactly the same as the rational persuasion influence tactic you learned about in Chapter 12, and it helps employees understand the need for change.

> **EXAMPLE**   Facebook had less than two dozen engineers working on mobile applications in 2012. The fact that it now has hundreds is a strong signal that mobile is at the center of the company's new strategy. This change was motivated in part by the company being public and needing to please shareholders, as well as the desire to monetize or make revenue from its immense user base.[20] The company thus needed to reallocate many of the resources (human and financial) from building its business around desktop computers to smartphones and tablets.

To unfreeze the organization, CEO Mark Zuckerberg and others shared growing criticisms that Facebook's app on iPhones didn't function well—it was slow and frequently crashed. The situation was made worse by other companies gaining enormous popularity in the mobile space. This led Mike Shaver, Facebook's director of mobile engineering, to say, "If we are going to be a mobile company at scale, we needed to do something qualitatively different . . . we needed a nuclear option."[21] After attempting to compete with Instagram's photo-sharing service, Facebook decided instead to buy the company for $1 billion in 2012.

Changing   This is where the rubber meets the road and change occurs. Because change involves learning and doing things differently, this stage entails providing employees with new information, new behavioral models, new processes or procedures, new equipment, new technology, or new ways of getting the job done. How does management know what to change? There is no simple answer to this question. Organizational change can be aimed at improvement or growth, or it can focus on solving a problem such as poor customer service or low productivity. The Example box provides an excellent illustration of how Jin Zhiguo, former chairman of Tsingtao Beer, responded to serious production difficulties at a newly acquired brewery.

EXAMPLE   Jump-Starting a Sluggish Company[22]

Tsingtao (ching-dow) is the #1 selling Chinese beer in America. In the mid-1990s the company acquired another brewery, and Jin Zhiguo, who at the time was an assistant managing director, learned that the new facility was producing 1,000 per day—bottles not cases! This was undesirable to say the least, as the company had about 1,000 employees (1 bottle per day per employee). What did he do?

1. **Gathered data.** He gathered not only production, cost, and profit data, but also customer insights. In the mid-1990s Chinese companies still were not all that concerned with such metrics, particularly customer insights. Jin himself, along with his salespeople, went out into the communities and learned why people drank which beers and with which types of food.

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2. **Changed products and practices.** They learned that consumers liked one competitor because it was lighter but didn't like the other because it had sediment. Jin changed the processes and product to produce a lighter beer without sediment. They also decided to chill their beer after it was brewed and deliver it cold. At the time, all producers delivered beer warm and expected the sellers and consumers to chill it.

3. **Reinforced changes with results.** Enormous success flowed from these changes, both in the short and long term. For instance, that first facility went from 1,000 bottles per day to 790,000. After becoming CEO in 2001 and spreading these changes across the entire company, Tsingtao is now the fifth largest beer producer in the world and has double-digit profit growth annually.

YOUR THOUGHTS?

1. What are your impressions of Mr. Jin's approach?
2. What do you think were his biggest challenges?
3. Which of the three actions do you think was the most important?

Zhiguo Jin spent his entire career at Tsingtao and retired as a director in 2012.

Change also can be targeted at different levels in an organization. Sending managers to leadership training programs can improve many individuals' job satisfaction and productivity.

EXAMPLE Safelite Autoglass designed and implemented a training program for 1,000 of its managers to equip them to implement a wholesale culture change at the company. The dramatic changes were intended to focus every employee on customer satisfaction and double the business in four years.[23]

In contrast, installing new information technology can be the change required to increase work group productivity and overall corporate profits. The point to keep in mind is that change should be targeted at some type of desired end result. The systems model of change, which is the next model to be discussed, provides managers with a framework to diagnose the target of change.
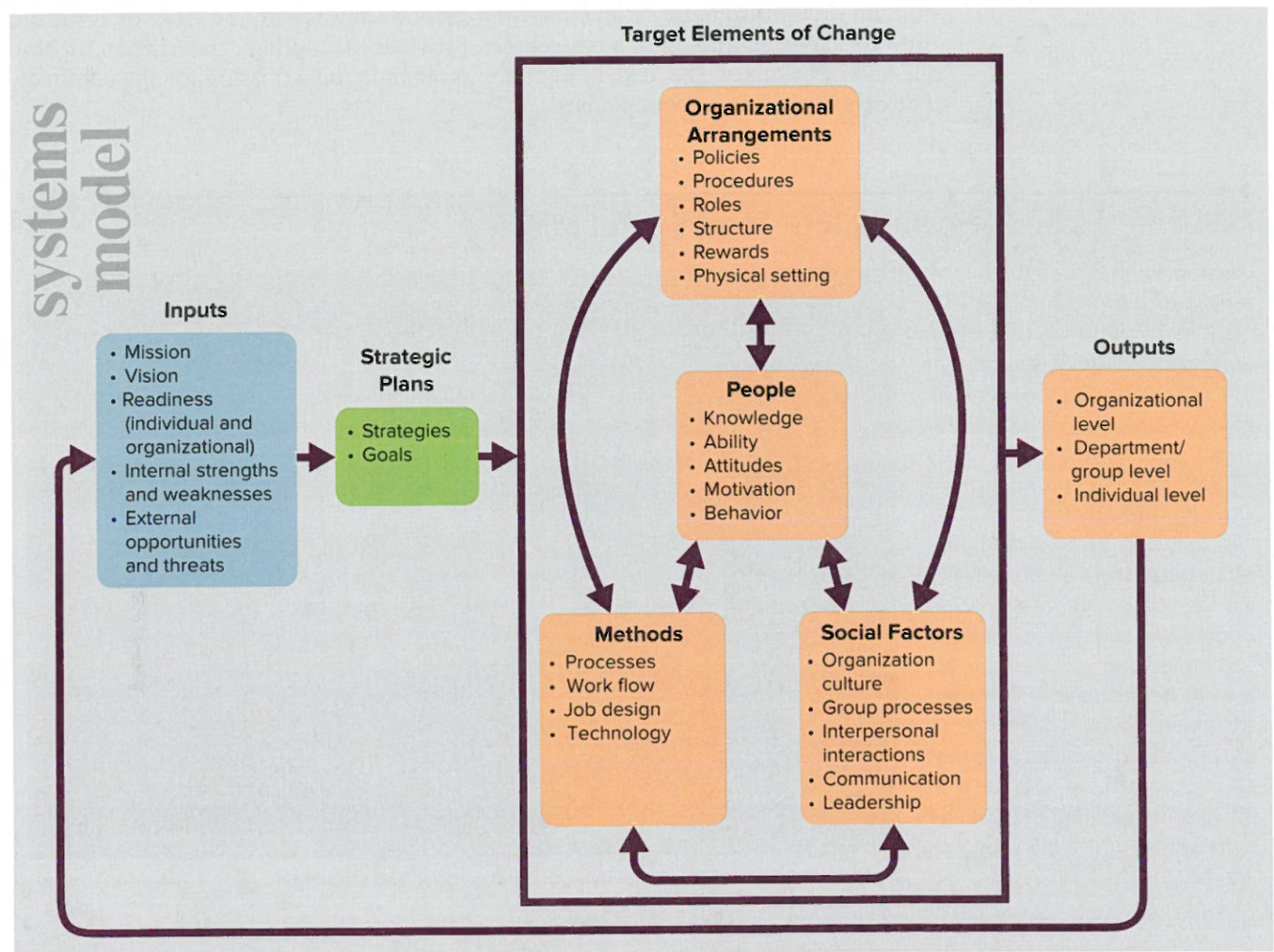
Refreezing The goal of this stage is to support and reinforce the change. Change is supported by helping employees integrate the changed behavior or attitude into their normal way of doing things. This is accomplished by first giving employees the chance to exhibit the new behaviors or attitudes. Once this happens, positive reinforcement is used to encourage the desired change. More specifically, early in the change process it is especially helpful to use continuous reinforcement with extrinsic rewards (e.g., recognition, feedback, bonuses), as we discussed in Chapter 6. This helps establish clear links between the desired new behaviors and the reinforcing reward or recognition. And don't forget role modeling. Walking the talk of change is arguably the most powerful way to get others to follow.

A Systems Model of Change

A systems approach to change is based on the notion that any change, no matter how large or small, has a cascading effect throughout an organization. For example, promoting an individual to a new work group affects the group dynamics in both the old and new groups. Similarly, creating project or work teams may necessitate the need to revamp compensation practices. These examples illustrate that change creates additional change.

A systems model of change is similar to the systems framework used in the Integrative Framework of OB. However, it is a bit more complex, as shown in Figure 16.4. This model includes inputs, strategic plans, target elements of change, and outputs.

FIGURE 16.4 A SYSTEMS MODEL OF CHANGE

Target Elements of Change

systems model

Inputs
- Mission
- Vision
- Readiness (individual and organizational)
- Internal strengths and weaknesses
- External opportunities and threats

Strategic Plans
- Strategies
- Goals

Organizational Arrangements
- Policies
- Procedures
- Roles
- Structure
- Rewards
- Physical setting

People
- Knowledge
- Ability
- Attitudes
- Motivation
- Behavior

Methods
- Processes
- Work flow
- Job design
- Technology

Social Factors
- Organization culture
- Group processes
- Interpersonal interactions
- Communication
- Leadership

Outputs
- Organizational level
- Department/group level
- Individual level

SOURCE: Adapted from D. R. Fuqua and D. J. Kurpius, "Conceptual Models in Organizational Consultation," *Journal of Counseling and Development*, July–August 1993, 602–618; and D. A. Nadler and M. L. Tushman, "Organizational Frame Bending: Principles for Managing Reorientation," *Academy of Management Executive*, August 1989, 194–203.

It is a very practical approach and can be used to diagnose *what* to change and to determine *how* to evaluate the success of a change effort. Let's explore the individual components.

Inputs The starting point for organizational change should be asking and answering the question: "Why change?" Leaders need to get clear on the overarching motive or reason for change. It then is essential to assure that the intended changes align with the organization's mission, vision, and resulting strategic plan.[24]

Mission statements represent the "reason" organizations exist. Some examples of clear and effective missions:

- Instagram, the photo-sharing service, has a simple mission—"To capture and share the world's moments."[25]
- Southwest Airline's is legendary—"To give people the freedom to fly."
- Charles Schwab—"A relentless ally for the individual investor."
- Interface—"To be the first company that, by its deeds, shows the entire industrial world what sustainability is in all its dimensions: People, process, product, place and profits—by 2020—and in doing so we will become restorative through the power of influence."

While each of these is interesting, you and most people in business wonder—how does an organization create an effective mission? Sally Jewell, the CEO of REI, the outdoor clothing and equipment retailer, provides an excellent description of how she and her team of 150 leaders went about formulating a mission for the company. The details are in the Example box.

Missions are big-picture, long term, and existential. These qualities mean they are often quite general. But it is important that they are not too general, which would make them abstract and meaningless. Sally Jewell, the CEO of outdoor clothing and adventure retailer REI, followed a very useful and repeatable process when refining the company's mission. She began by assembling a representative team of leaders. It's best to be inclusive rather than exclusive. Involving people in the process will help assure that their interests are reflected in the mission and that they will be more likely to "live it." Then ask the members:

Sally Jewell, CEO of REI, the retailer of outdoor gear and clothing.

1. Why does our organization exist? Ask this question three to five times to get a deeper, richer view.
2. What would happen if our organization went away?
3. Why do I devote my creative energies to this organization?
4. Compile and consolidate the answers to these questions.[26]

This process resulted in REI's mission: "To inspire, educate and outfit for a lifetime of outdoor adventure and stewardship."

YOUR THOUGHTS?

1. This approach was successful for REI, but how successful do you think it would be for an organization to which you belong?
2. What are the benefits of this approach?
3. What are the shortcomings or ways to improve it?

As you learned in Chapter 14, a **vision** is a compelling future state for an organization, and it also is another important input in the systems model of change. Consider how the difference between mission and vision affects organizational change. Missions typically imply little or nothing about change, but instead simply define the organization's overall purpose, like those of Instagram, Southwest, and Charles Schwab noted above. In contrast, effective *visions* describe a highly desirable future and outline how the organization will get there; which markets, services, products, and people will be involved; and how all of these elements align with the organization's values. Interface

Inc., a world leader in sustainability and commercial interiors, captures all of these and more in its vision:

> Interface® will become the first name in commercial and institutional interiors worldwide through its commitment to **people, process, product, place and profits.** We will strive to create an organization wherein all people are accorded unconditional respect and dignity; one that allows each person to continuously learn and develop. We will focus on product (which includes service) through constant emphasis on process quality and engineering, which we will combine with careful attention to our customers' needs so as always to deliver superior value to our customers, thereby maximizing all stakeholders' satisfaction. We will honor the places where we do business by endeavoring to become the first name in industrial ecology, a corporation that cherishes nature and restores the environment. Interface will lead by example and validate by results, including profits, leaving the world a better place than when we began, and we will be restorative through the power of our influence in the world.[27]

Readiness for change is defined as beliefs, attitudes, and intentions regarding the extent to which changes are needed and the capacity available to successfully implement those changes. Defined in this way, you can see how readiness can be both an individual- and/or an organizational-level input.[28] Put another way, effective change at work requires both the employees and the employer to be willing and able to change (i.e., have high readiness). Readiness has four components:

1. Necessity for change
2. Top management support for change efforts
3. Personal ability to cope with changes
4. Perceived personal consequences of change

Self-Assessment 16.2 will help you determine your own readiness for change. It also can be used to determine the readiness of an organization to which you belong.

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connect

SELF-ASSESSMENT 16.2 **What Is Your Readiness for Change?**

Think of a change at school, work, or another arena of your life. Then go to connect .mheducation.com and take Self-Assessment 16.2 to learn the extent of your readiness for change, or that of the organization in which the change needs to occur.

1. Of the four components which is the lowest?
2. How do you think this will affect the success of the particular change? Be specific.
3. Who seems to be "most ready," you (components 1 and 2) or the organization (components 3 and 4)?
4. Given what the readiness measure tells you, what do you recommend to improve the readiness for both you and the organization?

Strategic Plans   A strategic plan outlines an organization's long-term direction and the actions necessary to achieve planned results. Among other things, strategic plans are based on results from a SWOT—strengths, weaknesses, opportunities, and threats—analysis. This analysis aids in developing an organizational strategy to attain desired goals, such as profits, customer satisfaction, quality, adequate return on investment, and acceptable levels of turnover and employee satisfaction.

Target Elements of Change   Target elements of change are the components of an organization that may be changed. They essentially represent change levers that

managers can push and pull to influence various aspects of an organization. The choice of which lever to use, however, is based on a diagnosis of a problem, or problems, or the actions needed to accomplish a goal. A problem exists when managers are not obtaining the results they desire—when a gap exists, as explained in Chapter 1 and used in the 3-Stop Problem-Solving Approach. The target elements of change are used to diagnose problems and to identify change-related solutions. As shown in Figure 16.4, there are four targeted elements of change:

1. Organizational arrangements
2. Social factors
3. Methods
4. People

Each target element of change contains a subset of more detailed organizational features. For instance, the "social factors" component includes consideration of an organization's culture, group processes, interpersonal interactions, communication, and leadership. (All of these are OB topics discussed in this book and included in the Integrative Framework of OB.)

There are two final issues to keep in mind about the target elements. First, the double-headed arrows in the figure connecting each target element of change convey the message that change ripples across an organization. For example, changing a reward system to reinforce team rather than individual performance (an organizational arrangement) is likely to impact organizational culture (a social factor). Second, the "people" component is placed in the center of the target elements of change box because all organizational change ultimately impacts employees and vice versa. Organizational change is more likely to succeed when managers proactively consider the impact of change on employees.

Outputs Outputs represent the desired end results or goals of a change. Once again, these end results should be consistent with an organization's strategic plan. Figure 16.4 indicates that change may be directed at the individual, group, or organizational level. Change efforts are more complicated and difficult to manage when they are targeted at the organizational level. This occurs because organizational-level changes are more likely to affect multiple target elements of change shown in the model.

Now that you've learned the details of the systems approach to change, we shift our focus to one of the most popular approaches to organizational change since the 1990s—Kotter's Eight Steps.

Kotter's Eight Steps for Leading Organizational Change

John Kotter, an expert in leadership and change management, believes that organizational change most often fails not because of inadequate planning but because of ineffective implementation. To help overcome this, he proposed an eight-step process for leading change (see Table 16.1). This approach differs from the systems model in that it does not help in diagnosing the need for or targets of change. It is, however, somewhat like Lewin's model in that it guides managers through the process of effective organizational change. For instance, you could map the first four steps onto Lewin's "unfreezing" stage; steps 5, 6, and 7 to "moving" or "changing"; and step 8 to the "refreezing" stage.

The value of Kotter's steps is that they provide specific recommendations about behaviors and activities needed to successfully lead organizational change. Notice that vision and strategy are central components to Kotter's approach, as they are in the systems model. But it also is helpful to know that Kotter insists that the steps need to be followed in sequence and none skipped. It therefore requires a tremendous

TABLE 16.1 EIGHT STEPS TO LEADING ORGANIZATIONAL CHANGE

STEP	DESCRIPTION
1. Establish a sense of urgency.	Unfreeze the organization by creating a compelling reason for why change is needed.
2. Create the guiding coalition.	Create a cross-functional, cross-level group of people with enough power to lead change.
3. Develop a vision and strategy.	Create a vision and strategic plan to guide the change process.
4. Communicate the change vision.	Create and implement a communication strategy that consistently communicates the new vision and strategic plan.
5. Empower the broad-based action.	Eliminate barriers to change and use target elements of change to transform the organization. Encourage risk and creative problem solving.
6. Generate short-term wins.	Plan for and create short-term "wins" or improvements. Recognize and reward people who contribute to the wins.
7. Consolidate gains and produce more change.	The guiding coalition uses credibility from short-term wins to create more change. Additional people are brought into the change process as change cascades throughout the organization. Attempts are made to reinvigorate the change process.
8. Anchor new approaches in the culture.	Reinforce the changes by highlighting connections between new behaviors and processes and organizational success. Develop methods to ensure leadership development and succession.

leading organizational change

SOURCE: Reprinted by permission of Harvard Business School Press. From *Leading Change* by J. P. Kotter, Boston, MA, 1996. Copyright © 1996 by the Harvard Business School Publishing Corporation; all rights reserved.

commitment of resources (time, money, and people) to implement Kotter's eight steps. The result is that this approach is very difficult for organizations, and even more so for individuals, to utilize. These challenges are in part overcome by our final approach to change—organizational development (OD).

Creating Change through Organization Development

Organization development (OD) differs from the previously discussed models of change. And while its origins are in Lewin's approach,[29] it does not entail a structured sequence as proposed by Lewin and Kotter. OD does, however, possess the same diagnostic focus associated with the systems model of change. That said, OD is much broader in orientation than any of the previously discussed models. Academics Bernard Burnes and Bill Cooke reviewed the long history of organizational development and identify its appeal this way:

> OD processes could really transform people, make them psychologically healthier. . . . Then, through the use of these improved interpersonal skills, people in the organization would develop more powerful ways to solve problems, increase their participation, share power and decision making.[30]

If you think this sounds much like empowerment discussed in Chapter 12, then you are correct. Many OD experts and practitioners argue that employee empowerment is central to this approach to change. Now let's learn a bit about the history of OD and how it works.

The History and Philosophy of OD

Throughout its history OD has combined academic rigor with practical application, which has led some experts to say it is the most common approach to organizational change today. Three fundamental aspects have helped it earn this distinction:

1. OD is about planned change aimed at increasing "an organization's ability to improve itself as a humane and effective system."

2. OD takes theories and results from the laboratory and applies them to the real-life work settings. In this way, OD is very similar to the applied problem-solving approach taken in this book. We've presented theories, research, and practical tools in ways that make their application clear and effective.

3. OD takes a distinctly democratic and participative approach to solving conflict and problems. This means that an organizational development approach to organizational change is not simply a top-down approach where senior leaders prescribe changes or directives to be followed by employees. Instead, OD advocates the involvement of all players in identifying needed changes, planning how to make such changes, and then the ultimate implementation and evaluation of change efforts.

How OD Works

One way to think of OD is to follow a medical metaphor and approach the organization as if it were a "sick" patient: "diagnose" its ills, prescribe and implement an "intervention," and "evaluate" progress. If the evaluation reveals that positive change has not occurred, this information provides feedback that is used to refine the diagnosis and/or consider the extent to which the intervention was effectively implemented (see Figure 16.5).

Let's improve your understanding by exploring each of these components in a bit more detail.

1. *Diagnosis: What is the problem and its causes?* Many means can be used to answer this question: interviews, surveys, meetings, written materials, and direct observation. We recommend the 3-Stop Problem-Solving Approach and the Integrative Framework of OB to help. The target elements in the systems model of change can also be useful. For example, you might ask, "To what extent does the structure or reward system contribute to the problem?"

2. *Intervention: What can be done to solve the problem?* The treatment or intervention represents the changes being made to solve the problem. Treatments are selected based on the causes of the problem. For example, if the cause of low

FIGURE 16.5 THE OD PROCESSES
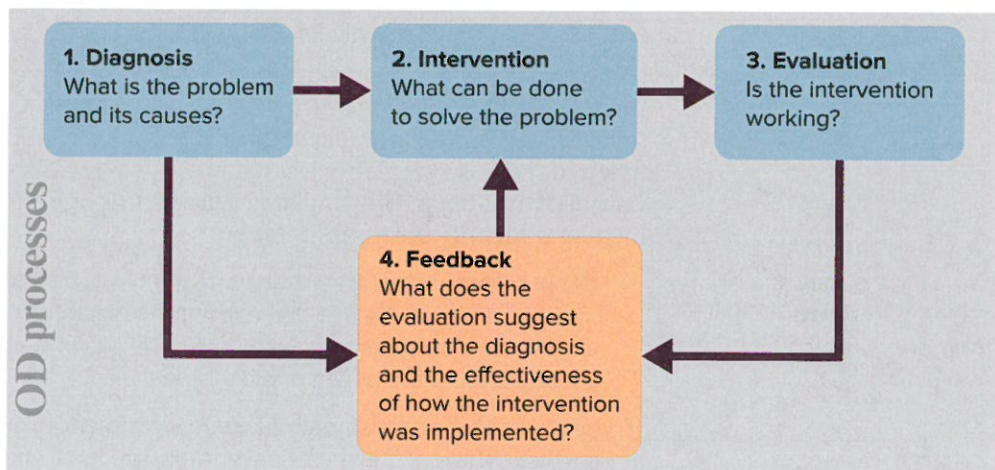
SOURCE: Adapted from W. L. French and C. H. Bell Jr., *Organization Development: Behavioral Interventions for Organizational Improvement* (Englewood Cliffs, NJ: Prentice Hall, 1978).

quality is poor teamwork, then team building (see Chapter 8) might be used as the intervention. In contrast, training may be appropriate if poor leadership is the cause of low quality (see Chapter 13). The key thing to remember is that there is not one "set" of intervention techniques that applies to all situations. Rather, you can use any number of interventions based on the knowledge and tools you learned in this book and course. Remember the contingency approach from Chapter 1 and used throughout this book, which suggests that the "best" solution or intervention depends on the particular situation.

3. **Evaluation:** *Is the intervention working?* Evaluation requires measurement of effectiveness—draw on what you learned about performance management in Chapter 6 and organizational effectiveness in Chapter 15. The measures must match the problem. For instance, if the problem is job performance, then part of the problem may be the way performance is measured. It is highly unlikely that teamwork or quality of service can be evaluated if you only measure sales volume. It also is helpful if the final evaluation is based on comparing measures of effectiveness obtained before and after the intervention.

4. **Feedback:** *What does the evaluation suggest about the diagnosis and the effectiveness of how the intervention was implemented?* If the evaluation reveals that the intervention worked, then the OD process is complete and you can consider how best to "refreeze" the changes. However, a negative evaluation means one of two things: either (1) the initial diagnosis was wrong or (2) the intervention was not effectively implemented. Negative evaluations generally require you to collect more information about steps 1 and 2 in the OD process shown in Figure 16.5.

OD and the Integrative Framework of OB OD has been shown to positively influence a number of outcomes in the Integrative Framework of OB.

- Employee satisfaction with change was higher when top management was highly committed to the change effort.[31]
- Varying one target element of change created changes in other target elements. Also, there was a positive relationship between individual behavior change and organizational-level change.[32]
- Interventions using more than one OD technique were more effective in changing job attitudes and work attitudes than interventions that relied on only one human process or structural approach.[33]
- US and European firms used OD interventions more frequently than firms from China and Japan, and some OD interventions are "culture free" (i.e., are more or less effective depending on the national culture) and some are not.[34]

EXAMPLE OD and the Big Shift

International consulting firm, Deloitte, created a Shift Index to help organizations determine how they measure up to 20,000 U.S. firms in terms of three fundamental drivers of change and performance: (1) developments in technology and politics; (2) market changes, such as flows of capital, information, and talent; and (3) impacts of change on competition, volatility, and performance. Comparisons in these areas, using the Shift Index, can serve as a tool for applying the OD process—diagnosis, intervention, evaluation, and feedback.[35]

MAJOR QUESTION

Why do people resist change and what can I do about it?

THE BIGGER PICTURE

You can't think about change without also thinking about resistance. Change and resistance are intimately related. Therefore, if you are going to effectively manage change you need to understand and manage resistance. Your ability to do this is fundamental to your effectiveness at managing this important process and its many related outcomes in the Integrative Framework of OB. Quite simply, resistance can either make or break the best change efforts and your personal success.

We begin our discussion by defining **_resistance to change_** **as any thought, emotion, or behavior that does not align with real or potential changes to existing routines.** This means that people resist both actual and imagined events. With this in mind, it is helpful to think about resistance by recalling our discussion of influence in Chapter 12. Viewing change in this way is helpful because managing resistance and change are fundamentally attempts to influence employees to think, feel, or behave differently. This perspective underscores that resistance is one of the three possible influence outcomes—the other two being compliance and commitment. This perspective has led many people to conclude that resistance to change represents a failed influence attempt. And while resistance can indeed spell failure, we are going to challenge this assumption and approach resistance in a different and more useful way, and help you gain more compliance and commitment to change.
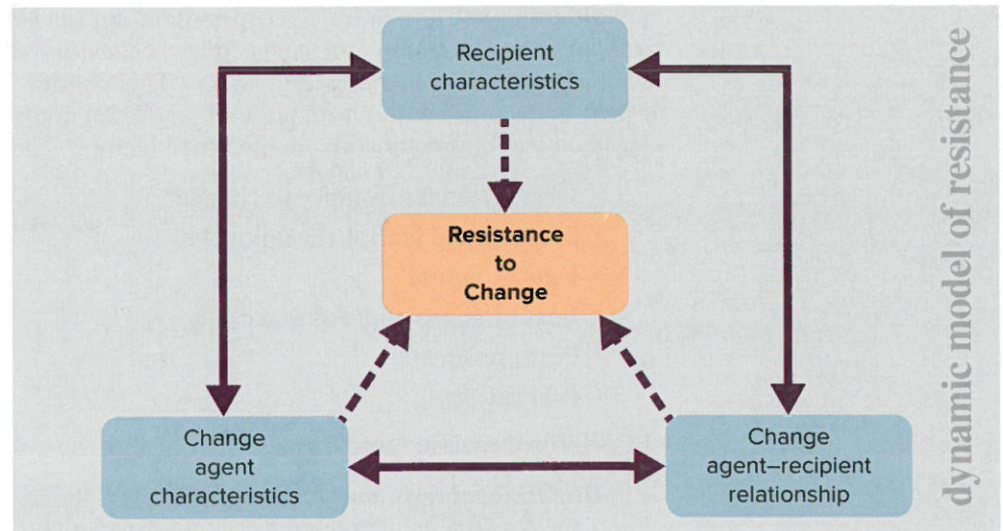
A Dynamic View of Resistance

Historically, and still, many managers of change see resistance as employees pursuing their own interests and attempting to undermine the interests of the manager or larger organization. This view suggests that there is a victim, either the manager of change who must "fight" or overcome the lack of compliance or commitment by employees, or employees who are victims of uncaring or inconsiderate managers and employers who serve their interests at the expense of employees. These two perspectives are why resistance is commonly viewed as a negative and individual-level outcome in the change process (and in the Integrative Framework of OB).

While both of these views are possible, and at times are very real, there is much more to the resistance story. Specifically, it is equally likely that resistance is caused by two other key factors:

1. Change agent's characteristics, actions, inactions, and perceptions. **A _change agent_ is someone who is a catalyst in helping organizations to deal with old problems in new ways.** Change agents can be external consultants or internal employees.

2. Quality of the relationship between change agents and change recipients.

When viewed in this way, resistance is a dynamic form of feedback (see Figure 16.6). You learned at several points in this book (e.g., Chapter 6) about the many practical

FIGURE 16.6 A DYNAMIC MODEL OF RESISTANCE TO CHANGE

and powerful uses of feedback. Let's explore some fundamental causes of resistance to change to help you better understand and manage a dynamic approach to resistance more effectively.

Causes of Resistance to Change

Resistance can be subtle or overt. Figure 16.6 presents a model of resistance that illustrates the relationships among the three key causes of resistance. Resistance is a dynamic interaction among the three sources, rather than being caused solely by irrational and stubborn recipients of change. For example, recipients resist partly based on their perceptions of change, which are very much influenced by the attitudes and behaviors exhibited by change agents and the level of trust between change agents and recipients. Similarly, change agents' actions and perceptions are affected by the recipients' actions and inactions and the quality of relationships with recipients. Let's consider each source of resistance.

To better understand the nature of resistance to change, it will be helpful for you to learn about the level of your own dispositional resistance to change by completing Self-Assessment 16.3. Knowing this about yourself will help you manage your own tendencies and better recognize them in others. Both will make you more successful with organizational change throughout your career.

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connect

SELF-ASSESSMENT 16.3 **How Resistant Are You to Change?**

Go to connect.mheducation.com and take Self-Assessment 16.3 to learn the extent of your dispositional resistance to change.

1. Which of the four components is highest?

2. Given your answer to question 1, what are the potential implications if your manager changes?

3. Describe two things you can do to help reduce the negative impact of your attribute with the lowest score.

4. Describe two things you can do to help reduce the negative impact of your attribute with the second lowest score.

Recipient Characteristics   Recipient characteristics include a variety of individual differences (Chapter 3). They also represent the actions (engaging in new behaviors) or inactions (failing to engage in new behaviors) displayed by recipients. Finally, recipient perceptions of change (e.g., "This change is unfair because I am being asked to do more with no increase in pay") can contribute to resistance. Six of the key recipient characteristics are discussed below.[36] They are:

- Dispositional resistance to change
- Surprise and fear of the unknown
- Fear of failure
- Loss of status and/or job security
- Peer pressure
- Past success

Let's look at each in more depth.

> *Dispositional resistance to change.* This is a stable personality trait, like many of the personality characteristics you learned about in Chapter 3. Individuals with a high *dispositional resistance to change* are **"less likely to voluntarily initiate changes and more likely to form negative attitudes toward the changes [they] encounter."**[37] Dispositional resistance comprises four attributes:
>
> 1. *Routine seeking*—extent to which you enjoy and seek out stable environments.
> 2. *Emotional reaction*—degree to which you feel stressed and uncomfortable when change is imposed.
> 3. *Short-term focus*—extent you are preoccupied with inconveniences in the near term due to the changes instead of long-term benefits.
> 4. *Cognitive rigidity*—stubbornness or lack of willingness to consider alternative ways of doing things.
>
> *Surprise and fear of the unknown.* When innovative or radically different changes are introduced without warning, affected employees become fearful of the implications. The same is true when managers announce new goals without explaining the specific plans for how the goals will be achieved. Imagine how you would feel if your boss stated that your department was going to increase sales by 25 percent without hiring any new employees. Failing to set expectations around a change effort or the setting of new goals is a key contributor to resistance.[38]
>
> *Fear of failure.* Intimidating changes on the job can cause employees to doubt their capabilities. Self-doubt erodes self-confidence and cripples personal growth and development. Recall our discussion about self-efficacy in Chapter 3.
>
> *Loss of status and/or job security.* Administrative and technological changes that threaten to alter power bases or eliminate jobs generally trigger strong resistance. For example, most corporate restructuring involves the elimination of managerial jobs. One should not be surprised when middle managers resist restructuring and other programs (e.g., empowerment) that reduce their authority and status.
>
> *Peer pressure.* Someone who is not directly affected by a change may actively resist it to protect the interests of his or her friends and coworkers.
>
> *Past success.* Success can breed complacency. It also can foster a stubbornness to change because people come to believe that what worked in the past will work in the future. Decades ago the Green Revolution alleviated hunger in Asia and Latin America by equipping farmers with more productive strains of wheat and rice. But in the words of Usha Tuteja, who heads the Agricultural Economics Research Center at Delhi University, "People got complacent." Governments,

believing that the problem of feeding a growing population had been solved, stopped funding agricultural research. Unfortunately, today new challenges have again made food supply a major problem, and the solutions will require years of investment in further research.[39]

Change Agent Characteristics   Like change recipients, this cause includes a variety of individual differences possessed by change agents. Change agent characteristics also represent the actions or inactions displayed by change agents. For example, a change agent who fails to communicate with employees or is perceived as instituting unfair policies is likely to create resistance from recipients. Finally, resistance is a function of the change agent's perceptions of why employees behave the way they do in the face of organizational change. A change agent, for instance, might interpret employees' questions as a form of resistance when in fact the questions represent honest attempts at clarifying the change process. Five of the key change agent characteristics are:

1. ***Decisions that disrupt cultural traditions or group relationships.*** Whenever individuals are transferred, promoted, or reassigned, cultural and group dynamics are thrown into disequilibrium. It would be similar to you being moved from one team to another during the middle of a semester. Resistance would increase because of the uncertainty associated with dealing with new team members and their expectations.

2. ***Personality conflicts.*** Just as a friend can get away with telling us something we would resent hearing from an adversary, the personalities of change agents can breed resistance. Change agents that display any of the traits of bad leadership discussed in Chapter 13 are likely to engender resistance from recipients.

3. ***Lack of tact or poor timing.*** Undue resistance can occur because change agents introduce change in an insensitive manner or at an awkward time. Proposed organizational changes are more likely to be accepted by others when change agents effectively explain or "sell" the value of their proposed changes. This can be done by explaining how a proposed change is strategically important to an organization's success.

4. ***Leadership style.*** Research shows that people are less likely to resist change when the change agent uses transformational leadership (see Chapter 13).[40]

5. ***Failing to legitimize change.*** Change must be internalized by recipients before it will be truly accepted. Active, honest communication and reinforcing reward systems are needed to make this happen. This recommendation underscores the need for change agents to communicate with recipients in a way that considers employees' point of view and perspective. It also is important for change agents to explain how change will lead to positive personal and organizational benefits. This requires that change agents have a clear understanding about how recipients' jobs will change and how they will be rewarded.[41] For example, an employee is unlikely to support a change effort that is perceived as requiring him or her to work longer with more pressure without a commensurate increase in pay.

Change Agent–Recipient Relationship   In general, resistance is reduced when change agents and recipients have a positive, trusting relationship. Trust, as discussed in Chapter 8, involves reciprocal faith in others' intentions and behavior. Mutual mistrust can doom to failure an otherwise well-conceived change. Mistrust encourages secrecy, which begets deeper mistrust. Managers who trust their employees make the change process an open, honest, and participative affair. Employees who, in turn, trust management are more willing to expend extra effort and take chances with something different. In support of this conclusion, a study of employees from

the oil and banking industries showed that a high-quality relationship between managers and direct reports was associated with less resistance to change.[42]

Regardless of change agent characteristics, those of change recipients, or the relationship between the two, the following Example box provides some helpful guidance to help you be a more effective agent of change.

EXAMPLE   How to Be a Successful Change Agent

Change agents need many tools to be effective, as no two changes are identical. They therefore need to be masters of the contingency approach—choose the right tool for the situation. This rings true for Mary Barra when she took over as CEO of General Motors. Her primary objectives were to dramatically improve profit margins in North America and market share internationally, and she needed to do this in an old, iconic company that had been crushed by global competitors and bankruptcy during the financial crisis. To meet these challenges, Barra utilized many tools of effective change agents, such as:[43]

Mary Barra, CEO of General Motors Company.

1. **People are more important than strategy.** "Leaders may develop well-crafted strategies that emphasize the urgency for change . . . but organizational change efforts fail more often than they succeed—and rarely because of poor strategy. Rather, it's almost always a 'people' issue." If they don't commit, or at least comply, then change will not succeed. Barra "believes GM can leverage its management expertise to increase its global market share this year without altering its existing marketing and sales strategy."

2. **Emotion has more impact than logic.** This does not mean that logic is unimportant; of course, changes need to make sense. But employees also need to know the consequences of not changing, how the changes will impact them personally (what's in it for them), and what will be required of them. Focusing on these issues will help convey the emotional impact of the change (message). Barra plans to give regional executives better understanding and control over factors they can use to boost profitability and market share.

3. **Behavior is more persuasive than words.** Walk the talk. If you want others to change, then be the first to make changes yourself. Share the pain and the gains associated with change. This element was put to the test for Barra and GM when it recalled millions of vehicles in early 2014. On this issue, she and the larger company will be judged more on what they *do* about the faulty vehicles than what they say to explain it away.[44]

4. **Use both formal and informal networks.** Communicating change motives, plans, and actions via formal channels is necessary. But do not overlook informal channels, social media, the "grapevine," water cooler conversations, and social events. Barra is calling on not only the executive team and GM's new president Dan Ammann, but also employees throughout the company and many of its suppliers, dealers, and customers.

5. **Body language speaks loudly.** The verbal message matters, and it matters a great deal. But be sure of your body language and tone. If they align, then the change message will be reinforced; if they don't, then the message and your success can be undermined.

YOUR THOUGHTS?

1. Which of the above best practices do you think is most often overlooked?

2. As a change agent, which would you likely use most?

3. As a change recipient, which would have the greatest impact on you?

THE GOOD AND BAD OF STRESS

MAJOR QUESTION

How can stress affect my effectiveness—positively and negatively?

THE BIGGER PICTURE

This section addresses an outcome associated with most every change—stress. As you know, change can be desirable and undesirable for you, but both forms often cause stress. Realizing this helps you understand and realize the benefits and reduce the costs of stress, which makes you better equipped to effectively manage not only change, but also many other outcomes across levels of the Integrative Framework of OB. To help your efforts, we will define stress, and introduce a model that helps explain the components of the stress process that will help your personal effectiveness.

Everybody experiences stress on a daily basis, whether you are a student, a working professional, or a professor. The most basic reactions to stress are *fight or flight*. At one point in ancient history humans could stand and fight a predator, say a saber-toothed tiger, or they could turn and run (flight). Today, thankfully, we are not confronted with such ferocious foes, but our hectic urbanized and industrialized lives are instead full of deadlines, roommate problems, student loans, conflicts with team members, information overload, technology, traffic congestion, noise and air pollution, family problems, and work overload.

As with our ancestors, our response to stress may or may not trigger negative side effects, including headaches, ulcers, insomnia, heart disease, high blood pressure, strokes, allergies, skin disorders, and mental illness.[45] The same stress response that helped our ancestors survive has too often become a factor that seriously impairs our daily lives. This is why it is important for you to learn about occupational stress. Let's begin with defining stress—both good and bad.

Stress—Good and Bad

To an orchestra violinist, stress may stem from giving a solo performance before a big audience. While heat, smoke, and flames may represent stress to a firefighter, delivering a speech or presenting a lecture may be stressful for those who are shy. In short, stress means different things to different people. Given this variety it is valuable to have a working definition of stress, so you (as employee or manager) can more accurately distinguish stress from other OB outcomes, and so you can more effectively manage both the benefits and costs. To this end, we define **stress** as an **adaptive response to environmental demands, referred to as stressors, that produce adaptive responses that include physical, emotional, and behavioral reactions that are influenced by individual differences.**

This definition of stress describes it as an interaction between person and environmental factors, just as you learned in Chapter 1 and is illustrated in the Integrative Framework of OB you've applied throughout this book. It therefore is helpful to think of both types of factors as potential causes and remedies for stress. But before we explain this in more detail, let's first define positive or good stress.

Eustress = Good Stress We call **stress that is associated with positive emotions and outcomes** *eustress.* For instance, think of stress that generates positive emotions, like excitement instead of anxiety, which then helps motivate you to do a better presentation, have fun on a first date, or take and make the game-winning shot. This is *eustress.* More generally, this illustrates that:

- Stress is not merely nervous tension.
- Stress can have positive consequences.
- Stress is not something to be avoided.
- The complete absence of stress is death.[46]

These points make it clear that stress is inevitable. Efforts need to be directed at managing stress, not at somehow escaping it altogether.

A Model of Occupational Stress

Figure 16.7 presents a very useful and comprehensive model of occupational stress. It comes from psychology and health research and practice, and, importantly, it can help you understand and manage your own stress more effectively.

FIGURE 16.7 A MODEL OF OCCUPATIONAL STRESS
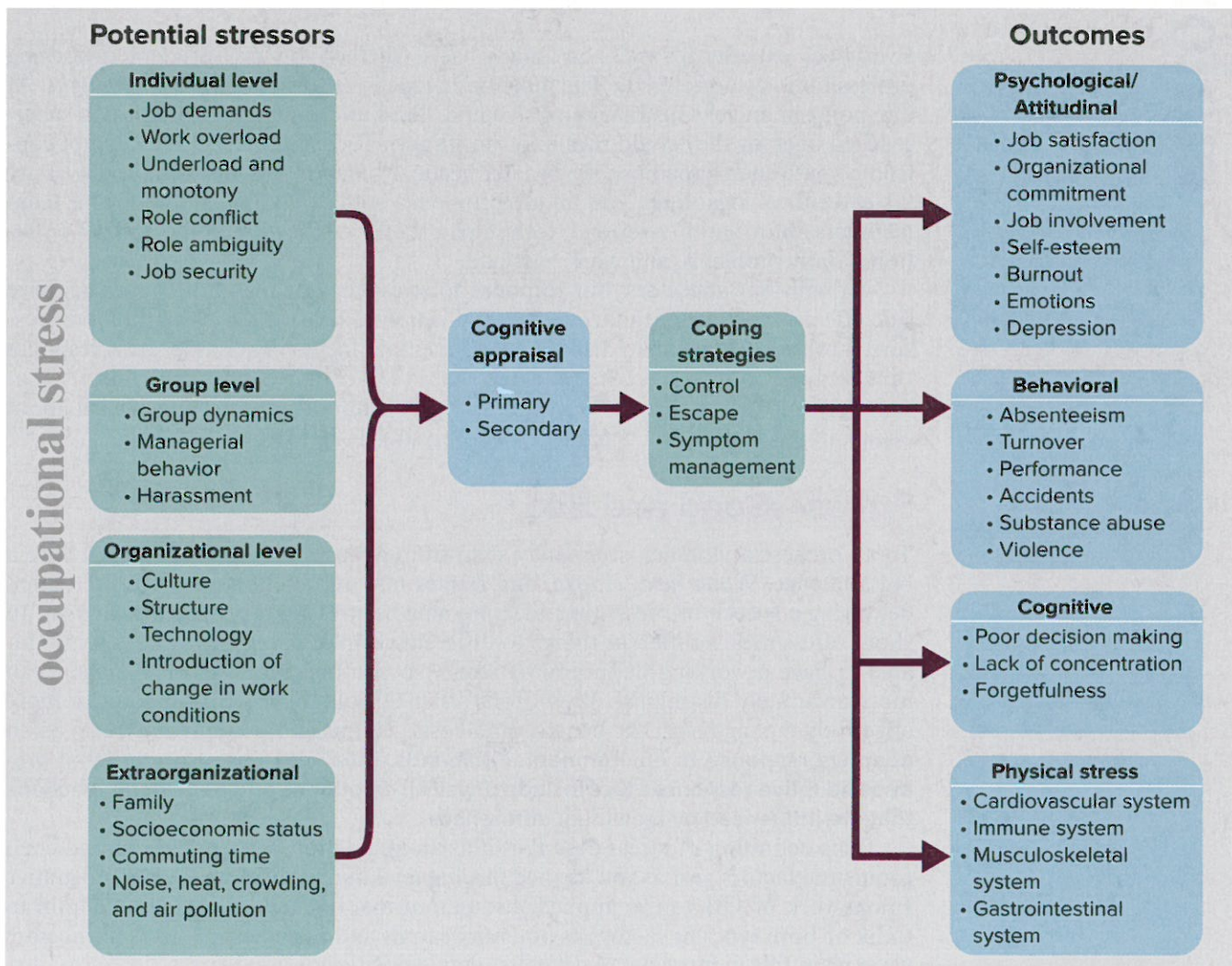
Potential Stressors   The model begins with four potential types of ==**_stressors,_** which are factors that produce stress.== The four types are:

1. **Individual level.** Job demands are the most common, but work overload, unclear or conflicting expectations, everyday hassles, perceived control over events occurring in the work environment, and job characteristics can also be problematic.[47] One of the very worst is job loss, which negatively affects most every aspect of people's lives (e.g., financial, professional, health, and interpersonal relationships). Let's not overlook the stress associated with a nightmare manager or an otherwise miserable job. If you lack opportunities for advancement, have a fear of being laid off, or work at a job that is not in your desired career path, then you too are likely to be stressed. Hopefully you not one of the 40 million Americans who report sleep problems, many of which are linked to work stress.[48]

2. **Group level.** Recall our discussion in Chapter 8 about the challenges of working in groups and it will be obvious how many of these can cause stress. For instance, managers create stress for employees by (1) exhibiting inconsistent behaviors, (2) failing to provide support, (3) showing lack of concern, (4) providing inadequate direction, (5) creating a high-productivity environment, and (6) focusing on negatives while ignoring good performance. Sexual harassment experiences and bullying (Chapter 10) represent other group-level stressors. And, of course, let's not forget annoying coworkers, as they are one of the most common if not problematic sources of group-level stress.[49]

3. **Organizational level.** Organizational culture, which was discussed in Chapter 14, is a potential stressor in itself. For instance, a high-pressure environment that fuels employee fear about performing up to standard can increase the stress response. The increased use of information technology is another source of organizational stress, as continual connectivity causes employees to be "on call" anytime.[50] One study revealed that 59 percent of the respondents are overloaded and stressed by the amount of information they process at work. Unfortunately, a majority of these individuals report coping with this stressor by either deleting or ignoring work information.[51] We don't recommend this coping strategy.

4. **Extra-organizational.** Extra-organizational stressors are those caused by factors outside the organization. For instance, in Chapter 10 we discussed how conflicts associated with balancing school with one's career or family life are stressful. Socioeconomic status is another extra-organizational stressor. Stress is higher for people with lower socioeconomic status, which represents a combination of income, education, and occupation.[52]

Fighting Fatigue   As noted above, sleep disorders affect millions of Americans. Recent reports are that 30 percent of workers routinely do not get enough sleep (7–9 hours per night). This results in lost productivity of about 11.3 days per employee per year, or $2,280 per year on average. It also is linked to increases in absenteeism and ==**_presenteeism,_** which is when employees show up but are sick or otherwise in no condition to work productively.== The most extreme and tragic effects are the number of injuries and accidents that occur. For instance, every year a number of bus accidents occur and people are killed, and some proportion of these are ultimately attributed to driver error in which the drivers were tremendously sleep deprived. Thankfully, you and your employer can do a number of things to fight fatigue and its negative effects.

1. **Staffing.** Maintain adequate staffing to cover the workload. This is especially important for companies that have downsized, as they are likely to simply spread the same amount of work across a smaller number of employees.

Employee productivity obviously is zero when they are unconscious at work. How does being tired affect your performance at school and/or work? Provide at least three specific examples.

2. **Scheduling.** Consider overtime and time spent commuting when scheduling workers to help assure they have enough time between shifts to sleep the needed amount. Rotate shifts forwards, and not back, to avoid messing up people's circadian rhythms.

3. **Environment.** Light, sound, temperature, and other workplace elements can have subtle but important effects on worker fatigue.

4. **Education.** Educate workers to better manage their sleep and factors that can affect it. Covering sleep-disorder screening also can help, as many people have underlying clinical/health problems that negatively affect their sleep.[53]

Cognitive Appraisals You've undoubtedly heard the expression: "It's not what happens to you but how you respond that matters." This essentially describes cognitive appraisal, which is the process by which people evaluate the meaning of events and demands (e.g., stressors) for their own well-being. Put another way, what makes stressors actually stressful is how they are cognitively appraised. There are two types of appraisals that determine whether a particular stressor is actually experienced as stress, and to what degree it is stressful.

1. *Primary appraisals* are perceptions of whether a stressor is irrelevant, positive, or negative. Stress appraisals are obviously the most important in terms of our current discussion because they imply that a situation or stressor is perceived as harmful, threatening, or challenging.

2. *Secondary appraisals* are perceptions of how able you are to deal or cope with a given demand. During this evaluation a person considers which coping strategies are available and which ones are most likely to help resolve the situation at hand.

Combined, these appraisals influence the choice of your coping strategies and in turn the subsequent outcomes.

Coping Strategies Coping strategies are characterized by the specific behaviors and cognitions used to cope with a situation. People use a combination of three approaches to cope with stressors and stress (see Figure 16.7). The first, called a *control strategy,* consists of using behaviors and cognitions to directly anticipate or solve problems. A control strategy has a take-charge tone. Examples include talking to your professor or boss about workload if you feel overwhelmed with your responsibilities and confronting someone who is spreading negative rumors. Research consistently, but not always, shows health and other benefits for control coping.[54] People are more apt to use control coping when they possess high self-esteem, self-efficacy, and problem-solving skills.[55]

Escape strategies are those in which you avoid or ignore stressors. These strategies can be beneficial if you have no control over the stressors or their causes. Like people with an internal locus of control, if you have no control over the situation (e.g., the president of your company is an unpredictable and unlikeable individual, but thankfully is not your direct supervisor), then it is best not to attempt to utilize control coping and instead avoid or escape stressful encounters with him/her.

Symptom management strategies, which focus on reducing the symptoms of stress, are the third type of strategy commonly used, such as relaxation, meditation, medication, or exercise to manage the symptoms of occupational stress. A vacation, for example, can be a good way to reduce the symptoms of stress. Other people may drink or take drugs to reduce stress. In contrast, one of this book's authors plays with his sweet and savage Jack Russell terrier to relieve stress.

Stress Outcomes   Stress has psychological/attitudinal, behavioral, cognitive, and physical health consequences or outcomes. Besides your own personal experiences, a large body of research supports the negative effects of perceived stress on many aspects of our lives.[56] Workplace stress is associated with many undesirable effects on many outcomes in the Integrative Framework of OB:

- Decreases in job satisfaction, organizational commitment, organizational citizenship behavior, positive emotions, and performance.
- Increases in emotional exhaustion, burnout, absenteeism, and turnover.[57]

The undesirable effects extend beyond these, however. Stress is linked to many counterproductive behaviors, like yelling, verbal abuse, and violence toward others. It also is associated with the frequency of drinking and taking illicit drugs.[58] These stress outcomes are very costly to individuals and organizations alike. Finally, ample evidence supports the conclusion that stress negatively affects our physical and psychological health. Stress contributes to the following physical and mental health problems:

- Lessened ability to ward off illness and infection
- High blood pressure
- Coronary artery disease
- Tension headaches
- Back pain
- Gastrointestinal problems
- Psychological well-being[59]

We think that it is stressful just to think about all of these problems! That said, let's close the chapter with some suggestions on how to manage stress and change effectively.

EXAMPLE   Barrie D'Rozario DiLorenzo (BD'D) Takes Advertising, Marketing, and Employee Stress *Very Seriously*!

The Minnesota-based agency boasts an intensely people-centered culture. Not only is the work environment open and stimulating to foster interaction, but the firm's leadership took it much, much further. It offered each of its 18 employees 500 hours of paid time off to pursue their passions! The firm was entering the summer slow season, and instead of paying employees simply to show up or to do less than a full-day's work, Stuart D'Rozario, the agency's president and chief creative director, told employees to take 500 hours to do something they haven't done because of a lack of time. (Think of it as four years' worth of vacation in one summer!) He clarified, doing nothing was not an option. Employees were required to identify something specific, make a plan, and execute.

There's more to the story. BD'D had built up considerable cash reserves and decided to complete the 500-hour project before soliciting and taking on new business. Of course, existing clients would be served, but employees would be paid from existing reserves.

Some employees traveled, at least one made music, another painted, and one even designed a hands-free dog leash! Employees' choices often were, but were never required, to be consistent with the spirit of the firm, which is creativity, enthusiasm, and passion.

To keep the firm running during this time, employees were expected to split their time—25 percent BD'D business and 75 percent for their passion project.

"D'Rozario believes the 500 hours will make the agency better, but that was never the explicit purpose. 'Honestly, my big hope for this is now that they're back, people realize the things you wanted to do, you could always be doing and find a place for it in your lives,' he says. Year after year we let the sun go down on our dreams because we can't take time. Maybe it's time to start giving it."[60]

YOUR THOUGHTS?

1. If you are currently working, then what effect do you think a 500-hour project would have on you?
2. What effect do you think it had on employee stress? Employee engagement?

EFFECTIVE CHANGE AND STRESS MANAGEMENT

MAJOR QUESTION

How can OB knowledge and tools help me effectively manage change and stress?

THE BIGGER PICTURE

Your are about to receive practical suggestions on how to manage change and stress. Since organizational change often has implications for nearly every element of the Integrative Framework of OB, it is an excellent opportunity to apply your knowledge and conclude the book. OB provides many practical tools to make you a more effective manager of change. Specifically, we'll describe how to apply the systems model you learned about earlier for strategic planning and diagnosis. We then provide advice on how to overcome resistance to change and manage stress, which is followed by some practical tips for successful change management.

Applying the Systems Model of Change—Strategic Planning and Diagnosis

There are two different ways to apply the systems model of change. The first is as an aid during the strategic planning process. Once a group of managers have determined their vision and strategic goals, the target elements of change can be considered when developing action plans to support the accomplishment of goals (see Figure 16.4).

> **EXAMPLE**   Following the merger of Adolph Coors Company and Molson, the management team of Molson Coors Brewing established goals of cutting costs by $180 million, making Coors Light a global brand, and developing new high-end brands of beer. Target elements of change included strengthening shared values of the predecessor companies (social factors), keeping production and distribution employees focused on their existing functions (motivation, a people factor), creating a general-management development program (another people factor), and establishing a subsidiary to specialize in new products (organizational arrangements).[61]

The following Problem-Solving Application illustrates how to apply the systems model of change to diagnose problems and determine the need for change.

solving application

Systems Model of Change

A CEO of a software company was intensely frustrated when he realized his company had lost a bid for business with a new customer. The reason: Two of the three division presidents at the software company submitted a proposal for the same project to the potential customer. The customer was appalled by having received two proposals from the same company. To get to the root of the issue, employees were interviewed using questions that pertained to each of the target elements of change. The interviews revealed that the lack of collaboration among the division presidents was due to the reward system (an organizational arrangement), a competitive culture and poor communications (social factors), and poor work flow (a methods factor).

YOUR CALL

Stop 1: What is the problem?

Stop 2: How can you apply the systems model of change to diagnose the problem?
What might you find?

Stop 3: What recommendations do you have?

How to Overcome Resistance to Change

We previously noted that resistance is a form of feedback and managers need to understand why it is occurring before trying to overcome it. This can be done by considering the extent to which the three sources of resistance shown in Figure 16.6 are contributing to the problem.

Employee and Change Recipient Characteristics and Reactions   Employees are more likely to resist when they perceive that the personal costs of change outweigh the benefits. If this is the case, then managers are advised to:

1.   Provide as much information as possible to employees about the change.
2.   Inform employees about the reasons/rationale for the change.
3.   Conduct meetings to address employees' questions regarding the change.
4.   Provide employees the opportunity to discuss how the proposed change might affect them.

Change Agent–Employee Relationships   The four recommendations just described also will improve the agent–recipient relationship by enhancing the level of trust between the parties.

> **EXAMPLE**   When Sergio Marchionne took over as CEO of Chrysler Motors, the company was in dire straits. The US government had bailed it out by taking a large ownership position. Mr. Marchionne knew that he had to take drastic action—shore up finances, revamp product lines, reduce costs, and increase revenues. However, he also knew that to be successful he needed the commitment of the company's 60,000 employees. He was the change agent who desperately needed productive relationships with the change recipients. To this end, he spent much of the $6 billion from the bailout to upgrade automotive design and production technology, as well as to integrate many of Chrysler's operations and products with those of Fiat, for whom Marchionne is also the CEO. He also eliminated the chairman's role, giving the CEO more power and control, and changed the organization's structure so that the key 26 managers now report directly to him.[62]

Organizational Processes and Practices   Here again the Integrative Framework of OB can be very useful. The lesson of Figure 16.6 is that managers should not assume that people are consciously resisting change. Resistance has a cause that generally involves some obstacle in the work environment, such as job design (Chapter 5), performance management practices (Chapter 6), and organizational change (current chapter).[63] Obstacles in the organization's structure or in a "performance appraisal system [that] makes people choose between the new vision and their own self-interests" impedes change more than an individual's direct resistance.[64]

Sergio Marchionne, CEO of both Fiat and Chrysler, was instrumental in saving Chrysler during the Great Recession. He is widely regarded as a masterful change agent in the industry.

This perspective implies that it is important for management to obtain employee feedback about any obstacles that may be affecting their ability or willingness to accept change. In the end, change agents should not be afraid to modify the targeted elements of change or their approach toward change based on employee resistance. If people are resisting for valid reasons, then a new change initiative is needed.

A Contingency Approach to Overcoming Resistance   As you learned in Chapter 1, effective managers apply the knowledge and tools to match the requirements of the situation (one size does not fit all). A similar contingency approach is recommended for avoiding or overcoming resistance to change. Table 16.2 describes six managerial strategies, the appropriate situations in which to take such actions, along with their respective advantages and drawbacks.

TABLE 16.2   SIX STRATEGIES FOR OVERCOMING RESISTANCE TO CHANGE

APPROACH	COMMONLY USED WHERE	ADVANTAGES	DRAWBACKS
Education & Communication	There is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Time-consuming if lots of people are involved.
Participation & Involvement	The initiators do not have all the information they need to design the change and others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Time-consuming if participators design an inappropriate change.
Facilitation & Support	People are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time-consuming and expensive and still fail.
Negotiation & Agreement	Someone or some group will clearly lose out in a change and that group has considerable power to resist.	Sometimes it is relatively easy to avoid major resistance.	Too expensive if it alerts others to negotiate for compliance.
Manipulation & Co-optation	Other tactics will not work or are too expensive.	It can be a relatively quick and inexpensive solution to resistance problems.	Leads to future problems if people feel manipulated.
Explicit & Implicit Coercion	Speed is essential and the initiators of change possess considerable power.	It is speedy and can overcome any kind of resistance.	Risky if it leaves people mad at the initiators.

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How to Manage Stress

Stress is costly to individuals, groups, and organizations as a whole. The American Institute of Stress, for instance, estimates that work stress costs US industries about $300 billion a year. It thus is not surprising that organizations are increasingly implementing a variety of stress-reduction programs to help employees cope with modern-day stress.[65] Let's explore some that may benefit you, other employees, and your employers.

Stress-Reduction Techniques   The four most frequently used stress reduction techniques are muscle relaxation, biofeedback, meditation, and cognitive restructuring. Each method involves somewhat different ways of coping with stress (see Table 16.3).

Beyond the benefits of all these techniques, research shows that leisure activities (e.g., playing or watching sports, shopping, reading) also can help you combat stress. And the effectiveness of these activities is boosted further still if you are intrinsically motivated to do them (recall our discussion in Chapter 5 regarding intrinsic versus extrinsic motivation).[66] However, it also shows that cognitive restructuring is the most effective.[67]

The ABCDEs of Cognitive Restructuring   Recall our discussion of positive organizational behavior in Chapter 7. Many of the techniques described there can also help you in avoiding and reducing stress, such as fostering positive emotions, mindfulness, flourishing, and a positive organizational climate. In addition to these, the following five-step process of cognitive restructuring can help you stop thinking

TABLE 16.3   STRESS-REDUCTION TECHNIQUES

TECHNIQUE	HOW IT WORKS	ASSESSMENT
Muscle relaxation	Uses slow, deep breathing and systematic muscle tension relaxation.	Inexpensive and easy to use; may require a trained professional to implement.
Biofeedback	Electronic monitors train people to detect muscular tension; muscle relaxation is then used to alleviate this symptom of stress.	At one time expensive due to costs of equipment; however, equipment continues to be more affordable and can be used to evaluate effectiveness of other stress-reduction programs.
Meditation	Practitioners relax by redirecting their thoughts away from themselves, often following a structured procedure to significantly reduce mental stress.	Least expensive, simple to implement, and can be practiced almost anywhere.
Cognitive restructuring	Irrational or maladaptive thoughts are identified and replaced with those that are rational or logical.	Expensive because it requires a trained psychologist or counselor.
Holistic wellness	A broad, interdisciplinary approach that goes beyond stress reduction by advocating that people strive for personal wellness in all aspects of their lives.	Involves inexpensive but often behaviorally difficult lifestyle changes.

pessimistically about an event or problem. It's called the ABCDEs, as illustrated below.[68]

A—Name the event or problem. For example:

My roommate is going to move out, and I can't afford to pay the rent by myself.

B—List your beliefs about the event or problem.

I don't have any prospects for a new roommate, and I may have to move. I might have to move back home and quit school. I could ask my parents for money, but they really can't afford to pay my rent. I could move to a lower-priced single apartment in a bad part of town.

C—Identify the consequences of your beliefs.

I'm going to move back home for spring semester and will return in the fall.

D—Formulate a counterargument to your initial thoughts and beliefs. It is important to remember that pessimistic thoughts are generally overreactions, so the first step is to correct inaccurate or distorted thoughts.

I have not studied my expenses closely, and I may be able to afford the apartment. Even if I can't afford the apartment right now, I could get a part-time job that would cover the additional expenses. I could advertise on Craigslist or the school newspaper for a new roommate. I don't have to accept a bad roommate, but the worst-case scenario is that I have to carry the added expenses for one semester.

E—Describe how energized and empowered you feel at the moment.

I'm motivated to find a new roommate and get a part-time job. I have taken care of myself throughout college and there is no reason I can't continue to resolve this short-term problem.

TAKE-AWAY APPLICATION—TAAP

1. Think of a stressor in your life, preferably at school or work.
2. Then describe how you can use the ABCDEs of cognitive restructuring.
3. Do you feel more confident in your ability to overcome or reduce this stressor?
4. Does simply making this plan make you feel better, less stressed?

Research and practice show that this technique works well over time. The key is to stay with your ABCDEs and not to expect "instantaneous" results.

Pulling It All Together—Change Management Tips for Managers

We conclude the chapter and book by asking you to return to the Integrative Framework of OB. Hopefully, you realize that both person and environmental inputs can have a major impact on what needs to change, how it needs to change, and the ultimate success of any change initiatives. And as you learned in Chapter 5 on equity approaches to motivation—process always matters. Effective managers of change therefore carefully consider the relevant inputs and processes for any given change effort, as these are critical determinants of outcomes in the Integrative Framework of OB, which likely overlap with the goals of a given change. You therefore may choose to start with the end in mind, as suggested in the following Example box that details five keys to change management success.

Whether you work for somebody else or run your own business, effectively managing change is something that will benefit you throughout your career. It is neither simple nor easy. However, the rewards are enormous if you can do it well. The knowledge and tools we've provided here can give you a real competitive edge on other employees and managers.

And don't forget that managing change is about *doing*. Perhaps Charlie Strong, the recently hired football coach for the University of Texas, put it best when outlining his expectations for players, particularly the team's leaders: "They can lead the new culture or be run over by it. . . . 'I don't want to talk about things. I'd rather do things. We just talked. Now it's time to do.'"[70]

what did i learn?

You learned that change and stress will be two companions throughout your professional life. You learned how you can apply OB to help you recognize and respond appropriately to drivers of change and to manage both the positive and negative sides of stress for greater effectiveness. Reinforce what you learned with the Key Points below. Then consolidate your learning using the Integrative Framework. Finally, Challenge your mastery of this chapter by answering the Major Questions in your own words.

Key Points for Understanding Chapter 16

You learned the following key points.

16.1 FORCES FOR CHANGE

- The potentially many forces for change can be categorized as external and internal.
- External forces are demographic, technological, shareholder and market, and social and political.
- Internal forces often pertain to human resources and managerial behavior and decisions.

16.2 TYPES AND MODELS OF CHANGE

- The many kinds of change are often described in terms of three general types—adaptive, innovative, and radically innovative—based on their relative complexity, cost, and uncertainty.
- Lewin's change model is a popular and often-applied model and involves three stages: unfreezing, changing, and refreezing.
- A systems model of change is similar to the Integrative Framework of OB in that it includes inputs, strategic plans, target elements of change, and outputs.
- An organizational development (OD) approach to change involves diagnosing, intervening, evaluating, and feeding this information back to assess change effectiveness.

16.3 UNDERSTANDING RESISTANCE TO CHANGE

- Resistance to change is any thought (cognitive), emotion, or behavior that does not align with real or potential changes to existing routines.

- Dynamic perspectives of resistance describe the causes as an interplay of change recipient characteristics, change agent characteristics, and the relationship between the two.

16.4 THE GOOD AND BAD OF STRESS

- Stress is an adaptive response to environmental demands that can be physical, emotional, and/or behavioral.
- The occupational stress process has four basic elements: stressors, cognitive appraisal, coping strategies, and outcomes.
- Stressors can occur at multiple levels—individual, group, organizational, and extra-organizational.
- Primary and secondary are the two common forms of cognitive appraisal.
- Common coping strategies are control, escape, and symptom management.

16.5 EFFECTIVE CHANGE AND STRESS MANAGEMENT

- The systems model of change provides multiple targets for effective change management, such as change recipient characteristics, change agent characteristics, and their relationship.
- Education and communication, involvement, negotiation, and coercion are among the many means for overcoming resistance to change.
- Many stress reduction techniques are supported by research: muscle relaxation, biofeedback, meditation, cognitive restructuring, and holistic wellness.

The Integrative Framework for Chapter 16

As shown in Figure 16.8, you learned that the process of leading and managing change and stress at the organizational level often involves a range of inputs, processes, and outcomes across all levels of the organization.

Challenge: Major Questions for Chapter 16

At the start of the chapter, we told you that after reading the chapter you should be able to answer the following questions. Unless you can, have you really processed and internalized the lessons in the chapter? Refer to the Key

Points, Figure 16.8, the chapter itself, and your notes to revisit and answer the following major questions:

1. What are the common forces or drivers of change at work, and how can this knowledge improve my personal effectiveness?

2. How can different approaches to change make me and my organization more effective managers of change?

3. Why do people resist change and what can I do about it?

4. How can stress affect my effectiveness—positively and negatively?

5. How can OB knowledge and tools help me effectively manage change and stress?

FIGURE 16.8 INTEGRATIVE FRAMEWORK FOR UNDERSTANDING AND APPLYING OB

INPUTS	PROCESSES	OUTCOMES
Person Factors • Personality • Skills and abilities • Values • Needs • Mindfulness **Environmental Characteristics** • Job design • Physical environment • Relationship quality • Human resource policies, practices, and procedures • Leadership • Organizational climate • Organizational structure • Culture (national and organizational) • Resources (financial and human) • Organizational mission, vision, values, and strategy • Stressors	**Individual Level** • Interpersonal skills • Perceptions • Motivation • Performance management practices • Decision making • Communication **Group/Team Level** • Group/team dynamics • Conflict and negotiation • Decision making • Power, influence, and politics • Leadership • Communication **Organizational Level** • Human resource policies and practices • Culture, socialization, and mentoring • Organizational design and effectiveness • Leading and managing change and stress • Communication	**Individual Level** • Task performance • Work attitudes • Well-being/flourishing • Citizenship behavior/counter-productive behavior • Turnover • Career outcomes • Creativity **Group/Team Level** • Group/team performance • Group satisfaction • Group cohesion and conflict **Organizational Level** • Survival • Accounting/financial performance • Customer satisfaction

PROBLEM-SOLVING APPLICATION CASE (PSAC)

Audi Is Driving Change

Over half of your customers never come back. Do you have a problem?

Audi thinks so. Audi sees 46 percent repeat business among its North American customers, while other German imports average 55 percent.[71] Here is how Audi compares to its closest competitors:

Ranking German Luxury Car Manufacturers in the United States by Sales

MANUFACTURER	DECEMBER SALES			YTD SALES			CHANGE IN MARKET SHARE	
	2013	2012	CHANGE	2013	2012	CHANGE	2013	2012
BMW of North America Inc.	37,389	37,399	. . .	309,280	281,460	9.9%	2.0%	1.9%
Mercedes-Benz	35,835	30,376	18.0%	334,344	295,013	13.3%	2.1%	2.0%
Audi of America Inc.	17,013	14,841	14.6%	158,061	139,310	13.5%	1.0%	1.0%

SOURCE: "Sales and Share of Total Market by Manufacturer," Auto Sales, *The Wall Street Journal Online,* January 3, 2014, http://online.wsj.com/mdc/public/page/2_3022-autosales.html.

The above table may suggest why Audi is so hungry to make changes. It has only half the market share of its rivals and needs to accelerate growth. In the United States it ranks third, behind both BMW and Mercedes Benz. Globally, however, Audi is the second-largest luxury automaker.[72]

Fortunately, Audi can build on growing strength in the United States. In 2011 and 2012 it set records each month over results for the prior year. During a recent three-year period it sold as many cars as it had in the previous 10-year period. But the rub was a disconnect between its high-end, state-of-the-art cars and its lackluster showrooms and weak customer loyalty. Audi ranked second to last in a US customer service satisfaction poll of car buyers.

The Economic Value of Customer Service

This gap is expensive. A 2012 study from Maritz Research estimated that the average car dealership could sell upwards of *217 additional cars per year by improving customer service.*

So in September 2012, Audi of America President Scott Keogh began visiting dealers around the country. *Businessweek* reported that he told them "he attributed the low numbers partly to the dealership experience, and that he wanted to focus on customer service."

Audi Determined to Design a Better Experience

Keogh was not the only top manager to lead the charge at the organizational level.

"We're not satisfied with what the customer service experience is like in our retail environment. At dealers today, people encounter a lot of unknowns, a lot of waiting, bottlenecks," says Mark Ramsey, the general manager of digital and retail marketing for Audi of America.

Faced with this challenge, Ramsey shopped for a design firm that specialized in so-called *service design*, which emphasizes traditional design esthetics *and* the actual process of buying a product. They chose US-based Continuum.

More Functional and Modern Showrooms

In late 2013 Audi began sharing more information about Continuum's approach to changing the Audi showrooms. Keogh was even more encouraged, given the high level of dealer cooperation he received from his many visits to individual dealerships. Now customers will find smaller open consulting areas with ready information available by iPad and giant tablet screens. And behind the sleek and fashion-forward showrooms are improved systems and software to improve the experience.

Other news coming out of Audi seems to indicate more of the experience is being modified than just the showroom and sales experience. For instance, the iPads that will be part of the sales experience in the showroom also will be extended to the parts and service departments. Audi drives this implementation by providing discounted iPads to dealers that don't use them already and free software to those that do. Audi says 80 percent of its US dealers have already placed orders for the subsidized iPads.[73]

Apply the 3-Stop Problem-Solving Approach to OB

Stop 1: What is the problem?

- Use the Integrative Model of OB in Figure 16.8 to help identify the outcomes that are important in this case.

- Which of these outcomes are not being achieved in the case?

- Based on considering the above two questions, what is the most important problem in this case?

Stop 2: Use the Integrative Framework of OB shown at the start of this chapter to help identify the OB concepts or theories that help you to understand the problem in this case.

- What person factors are most relevant?

- What environmental characteristics are most important to consider?

- Do you need to consider any processes? Which ones?

- What concepts or theories discussed in this chapter are most relevant for solving the key problem in this case?

Stop 3: What are your recommendations for solving the problem?

- Review the material in the chapter that most pertains to your proposed solution and look for practical recommendations.

- Use any past OB knowledge or experience to generate recommendations.

- Outline your plan for solving the problem in this case.

LEGAL/ETHICAL CHALLENGE

Job Cuts and Legal Settlements . . . Two Ways to Profit

The major US banks have rebounded since the Great Recession. Many posted record profits in 2013 and 2014. For instance, the industry reported over $40 billion in profits in just one quarter in 2013![74] Looking only at profits might lead you to believe that times are good for big banks and all their employees. Certainly the big bank CEOs have done well. Jamie Dimon, CEO of JP Morgan Chase (JPM), was awarded $20 million, and Brian Moynihan of Bank of America (BofA) received $14 million, but both trailed industry CEO compensation leader Lloyd Blankfein of Goldman Sachs (GS), whose board agreed to $23 million in compensation for 2013.[75]

In response to the financial crisis, changing markets, and new regulations, the big banks changed their strategies and significantly restructured their companies. Many of these changes focused on reducing their involvement in the mortgage business that was at the center of the crisis.

On the one hand, some argue that the rich rewards are just and appropriate given the enormous changes overseen and led by these CEOs. However, another point of view argues that these profits are in large part the result of massive layoffs, cuts that continue even in the face of record profits and generous CEO compensation. JPM cut more than 15,000 employees, BofA 30,000, and Citigroup nearly 25 percent of its workforce. Eliminating such large numbers of employees reduces expenses and helps boost profits even when revenues are not growing.[76]

Moreover, many of these same CEOs were at the helm when their companies plunged into the crisis. Their associated misconduct has resulted in billions of dollars of legal expenses (fees and settlements). For instance, JPM's Dimon was prominent in negotiating nearly $20 billion in 2013 alone to cover legal expenses related to settlements involving the "London Whale" scandal and misconduct related to Bernie Madoff and mortgage investments. BofA, for its part, has paid out nearly $50 billion since the crisis to cover its own legal obligations related to the mortgage meltdown.[77]

What is your position on rewarding CEOs (and other executives) for profits in the wake of employee job cuts and legal expenses?

What Is Your Position?

1. CEOs should continue to be rewarded for profits, even if they occur as the result of massive job cuts and despite legal expenses for misconduct during their time on the job. Explain this position.

2. From an organizational change perspective, what are the advantages and disadvantages of this position?

3. CEOs are the ultimate leaders of their organizations and the buck should stop with them. Their compensation should not increase if large numbers of jobs are cut and/or significant legal liabilities are incurred.

4. From an organizational change perspective, what are the advantages and disadvantages of this position?

5. If you were a member of the board of directors at a big bank, what would you recommend for compensating the CEO in light of job cuts and legal settlements? Explain.

Creating Personal Change through Force-Field Analysis

Objectives

1. To apply force-field analysis to a behavior or situation you would like to change.

2. To receive feedback on your strategies for bringing about change.

Introduction

The theory of force-field analysis is based on the premise that people resist change because of counteracting positive and negative forces. Positive forces for change are called *thrusters*. They propel people to accept change and modify their behavior. In contrast, *counterthrusters* or *resistors* are negative forces that motivate an individual to maintain the status quo. People frequently fail to change because they experience equal amounts of positive and negative forces to change.

Force-field analysis is a technique used to facilitate change by first identifying the thrusters and resistors that exist in a specific situation. To minimize resistance to change, it is generally recommended to first reduce or remove the negative forces to change. Removing counterthrusters should create increased pressure for an individual to change in the desired direction. Managers can also further increase motivation to change by following up the reduction of resistors with an increase in the number of positive thrusters of change.

Instructions

Your instructor will pair you up with another student. The two of you will serve as a team that evaluates the completeness of each other's force-field analysis and recommendations. Once the team is assembled, each individual should independently complete the Force-Field Analysis Form presented after these instructions. Once both of you complete this activity, one team member should present results from steps 2 through 5 from the five-step Force-Field Analysis Form. The partner should then evaluate the results by considering the following questions with his or her team member:

1. Are there any additional thrusters and counterthrusters that should be listed? Add them to the list.

2. Do you agree with the strength evaluations of thrusters and counterthrusters in step 4? Ask your partner to share his or her rationale for the ratings. Modify the ratings as needed.

3. Examine the specific recommendations for change listed in step 5, and evaluate whether you think they will produce the desired changes. Be sure to consider whether the focal person has the ability to eliminate, reduce, or increase each thruster and counterthruster that is the basis for a specific recommendation. Are there any alternative strategies you can think of?

4. What is your overall evaluation of your partner's intervention strategy?

Force-Field Analysis Form

STEP 1

In the space provided, please identify a number of personal problems you would like to solve or aspects of your life you would like to change. Be as imaginative as possible. You are not limited to school situations. For example, you may want to consider your work environment if you are currently employed, family situation, Interpersonal relationships, club situations, and so forth. It is important that you select some aspects of your life that you would like to change but up to now have made no effort to do so.

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STEP 2

Review in your mind the problems or aspects listed in step 1. Now select one that you would really like to change and that you believe lends itself easily to force-field analysis. Select one that you will feel comfortable talking about to other people.

STEP 3

On the form following step 4, indicate existing forces that are pushing you in the direction of change. Thrusters may be forces internal to the self (pride, regret, fear) or they may be external to the self (friends, the boss, a professor). Also list existing forces that are preventing you from changing. Again, the counterthruster may be internal to the self (uncertainty, fear) or external to the self (poor instruction, limited resources, lack of support mechanisms).

STEP 4

In the space to the right of your list of thrusters and counterthrusters indicate the relative strength. For consistency, use a scale of 1 to 10, with 1 indicating a weak force and 10 indicating a high force.

THRUSTERS	STRENGTH
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

COUNTERTHRUSTERS	STRENGTH
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

STEP 5

Analyze your thrusters and counterthrusters, and develop a strategy for bringing about the desired change. Remember that it is possible to produce the desired results by strengthening existing thrusters, introducing new thrusters, weakening or removing counterthrusters, or some combination of these. Consider the impact of your change strategy on the system's internal stress (i.e., on yourself and others), the likelihood of success, the availability of resources, and the long-term consequences of planned changes. Be prepared to discuss your recommendations with the partner in your group.

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Questions for Discussion

1. What was your reaction to doing a force-field analysis? Was it insightful and helpful?

2. Was it valuable to receive feedback about your force-field analysis from a partner? Explain.

3. How would you assess the probability of effectively implementing your recommendations?

A REVIEW AND FINAL APPLICATION OF WHAT YOU'VE LEARNED

MAJOR QUESTION

How can I use my knowledge about OB to help me achieve personal and professional effectiveness?

THE BIGGER PICTURE

This final section provides a high level of summary of what you have learned and offers suggestions for applying your OB knowledge and tools at work.

We wrote this epilogue to serve two primary functions: (1) this material can serve as a review for a final exam at the end of your course and/or (2) it can be used as a "sneak peek" at the beginning of the course to foreshadow what you will learn.

Let's begin by considering our reasons for writing this book. We'll then briefly review our approach to problem solving and the components of the Integrative Framework of OB. To reinforce your knowledge, we provide one more problem solving application of OB as a reminder for how you can apply what you have learned to help you achieve personal and professional effectiveness.

Why Did We Write This Book?

The answer is simple. We passionately believe that knowledge about OB can help you flourish both personally and professionally. Writing this book thus represents our small way of assisting you along the path of personal and professional development.

Books generally provide knowledge about a particular subject (e.g., accounting, finance, economics, and marketing), but they often fall short in helping people apply this knowledge. We tried to overcome this limitation in two ways. First, we focused intensely on application. To do this we used a problem-solving approach that focuses on using OB knowledge to understand and solve problems at work, school, and your larger life space. Second, we incorporated this problem-solving perspective within the Integrative Framework of OB. We did this because the Integrative Framework provides a structure to help you classify, organize, and apply the many OB concepts and theories that exist. Without some type of organizing structure, we find that students experience information overload and fail to see how concepts are related, which in turn reduces their ability to apply what they are learning.

The 3-Stop Problem-Solving Approach

Our efforts to improve your problem-solving effectiveness began by showing you that common sense often is not common practice. We instead taught you to think critically and add rigor and structure to your problem solving by thinking of it as a 3-Stop Journey:

Stop 1: Define the Problem. To be an effective problem solver, you must define the problem accurately.

Stop 2: Identify Potential Causes Using OB Concepts and Theories. The many OB theories and concepts you learned are extremely useful in helping to determine the underlying causes of the problem you defined in Stop 1.